A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-6A

OCTOBER, 1985

SUMMARY

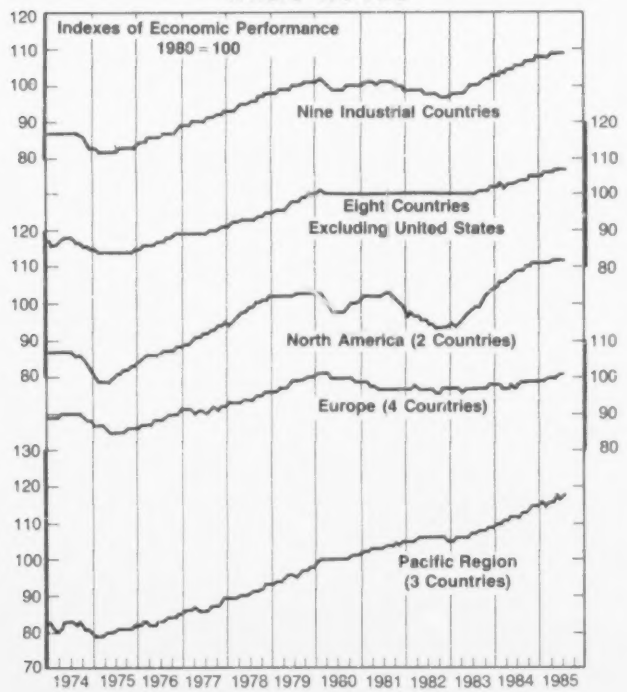
The leading indexes continue to turn in mixed projections for the major industrial countries. The signals still point predominately toward rising economic activity, but at widely varying speeds. At its latest reading the composite index for the nine countries as a group registered an annualized growth rate of 4%. Australia held on to its top position with a rate of 13%, while Italy surged into second place, at 10%. Growth rates in the early-moving indexes for other countries ranged from 7% for Japan down to –1% for the United Kingdom. The U.S. index has moved out of its growth recession lethargy, with a 3% growth rate for August, up from 1% three months earlier.

The performance index, which covers output, employment, income and sales, registers expansion for the group of nine combined at a modest 3% rate. Here, too, Australia is at the top, with an 8% growth rate. In sharp contrast, expansion has faltered in France and Taiwan, R.O.C.

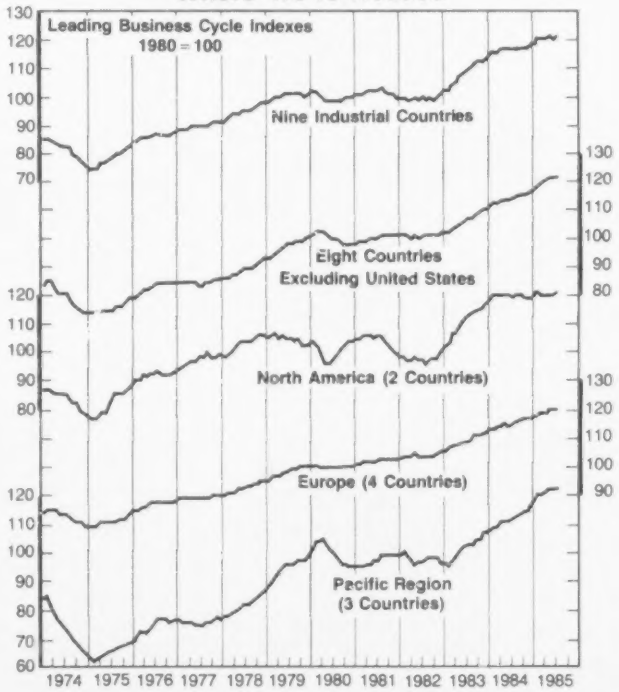
	Ten-year Growth Rate 1969-79	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	4	4	4	4	3	3	Expansion continuing	July
8 countries ex. U.S.	4	6	7	6	3	3	4	Expansion continuing	July
Europe (4)	3	3	5	4	1	3	3	Expansion continuing	July
Pacific Region (3)	5	10	11	8	6	4	4	Expansion continuing	July
North America (2)	3	1	1	2	4	4	2	Expansion reviving	July
United States	3	2	1	3	4	3	3	Expansion reviving	Aug.
Canada	4	4	4	4	4	4	4	Expansion steady	July
West Germany	3	1	5	6	4	4	5	Expansion continuing	July
France	4	5	6	2	–2	0	1	Recovery faltering	Aug./June
United Kingdom	2	3	2	–1	3	3	3	Expansion steady, leaders weak	July
Italy	3	5	8	10	3	2	4	Expansion continuing	July/May
Japan	5	11	11	7	6	4	4	Expansion continuing	July
Australia	4	8	13	13	7	4	8	Expansion continuing	July
Taiwan, R.O.C.	10	5	5	4	2	3	–1	Expansion nearly stalled	Aug.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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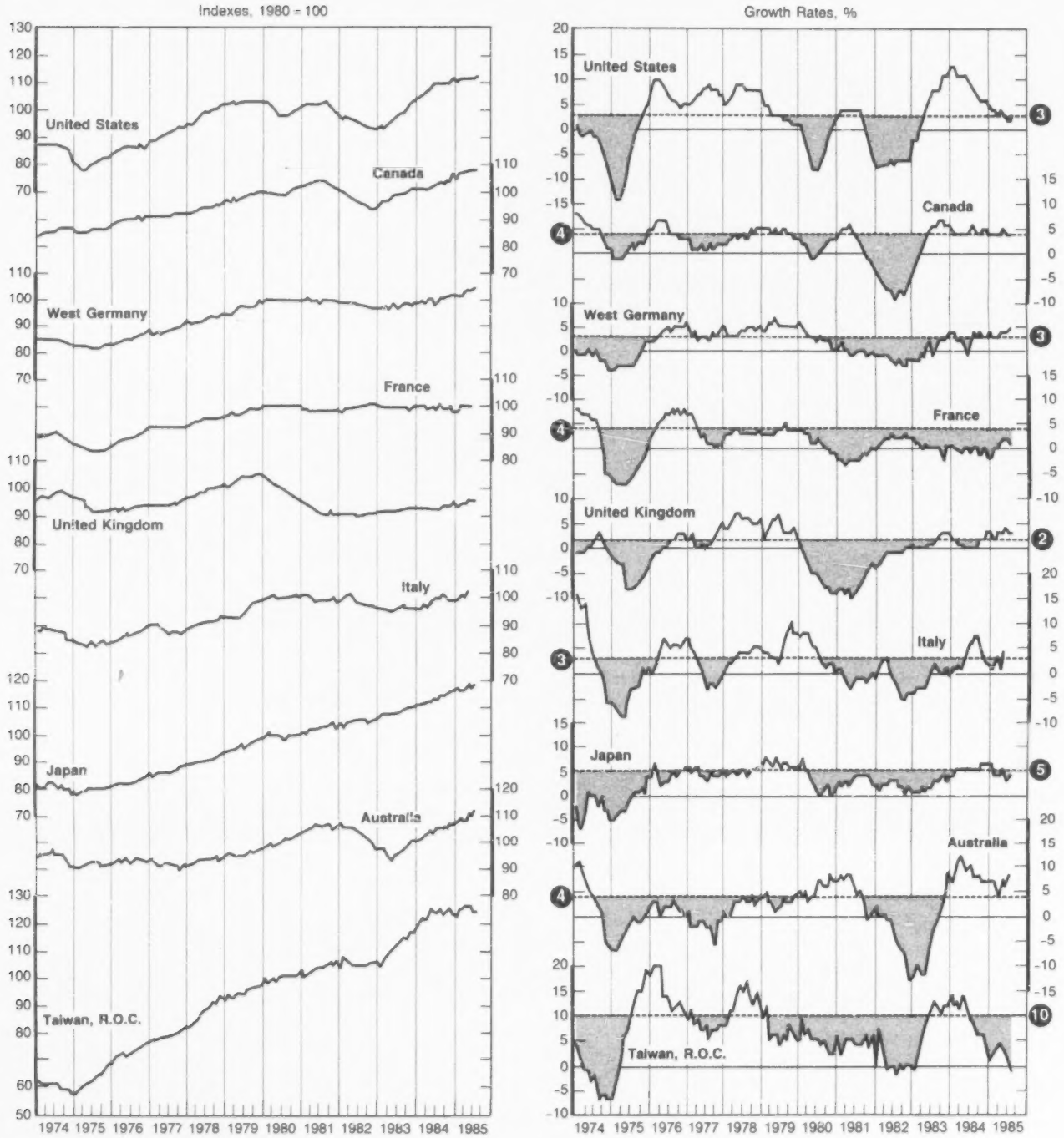
Where We Are

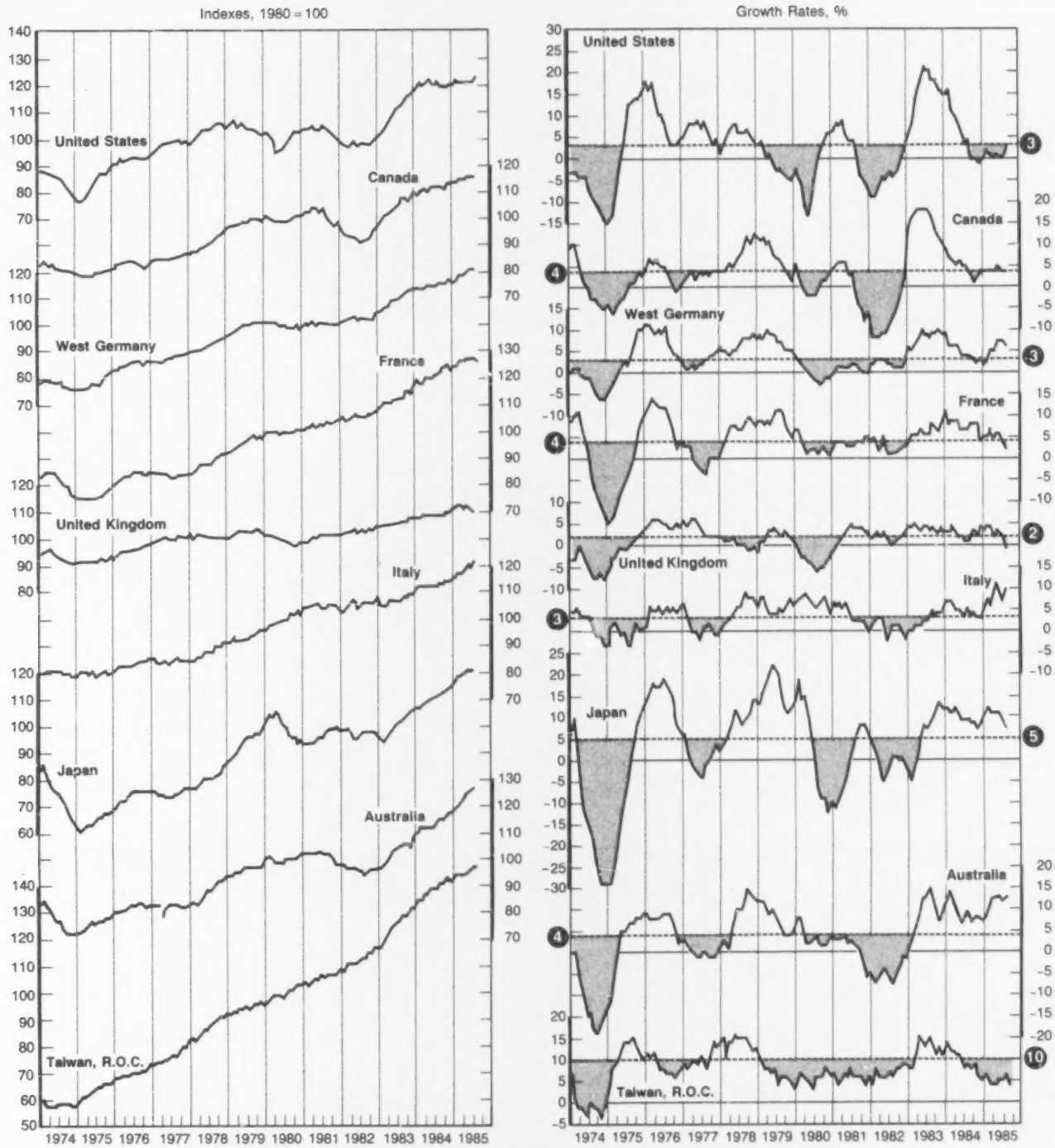
Indexes of Economic Performance



Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

Where We're Headed

Leading Business Cycle Indexes



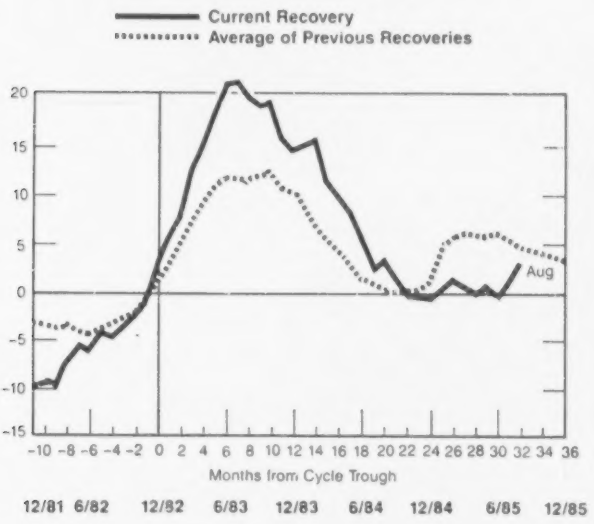
Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP

Sources: CIBCR and The Conference Board

RECOVERY PATTERNS IN THE LEADING INDEXES

A standard and useful way to judge the strength of an ecomonic recovery is to compare it with previous recoveries. The economic indicators reported in the *Scoreboard* are particularly suitable for this purpose because their content is comparable across countries and their historical record is available to identify successive cycles. What this record shows is that economic growth seldom runs at a steady pace. There are periods of a year or two during which the economy grows at a rate higher than is typical over the longer run, followed by slowdowns or recessions when the growth rate is below average. In the United States, for example, the latest upswing began at the end of 1982 and continued until mid-1984 when growth slowed dramatically. Most of the other industrial countries also started on the recovery path late in 1982 or early in 1983.

Recovery Patterns, United States
Growth Rates in Leading Business Cycle Indexes



Note: Recoveries start from the growth cycle trough month in each country, as determined by the Center for International Business Cycle Research.

The June and August issues of the *Scoreboard* provided cyclical comparisons based on the economic performance indexes. Here (see charts below and on next page) we use the indexes of leading indicators. The normal cyclical pattern for the leaders is similar to the performance indexes—the growth rates climb to a peak during the first year of an upswing then recede to lower levels—but (as would be expected) the leaders move a few months earlier than the economy as a whole.

In the U.S. and Canada the leading index growth rates since 1982 have shown a rise and fall very much like their previous average pattern but climbing higher in 1983 and falling more sharply in 1984. The stability in these rates during 1985 has been quite typical, though the Canadian index has risen faster than average and the U.S. index more slowly. The leading index for Taiwan, R.O.C., also conformed closely to its average pattern until the end of 1984 but since then has shown more weakness than usual, doubtless reflecting conditions in the U.S., its chief trading partner.

The leading indexes for West Germany, the United Kingdom, Japan and Australia have risen at more stable rates, on the whole, during their current recovery than their past recovery patterns show. This augurs well for continued expansion in these countries, although the recent dip in the U.K. index bears watching.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

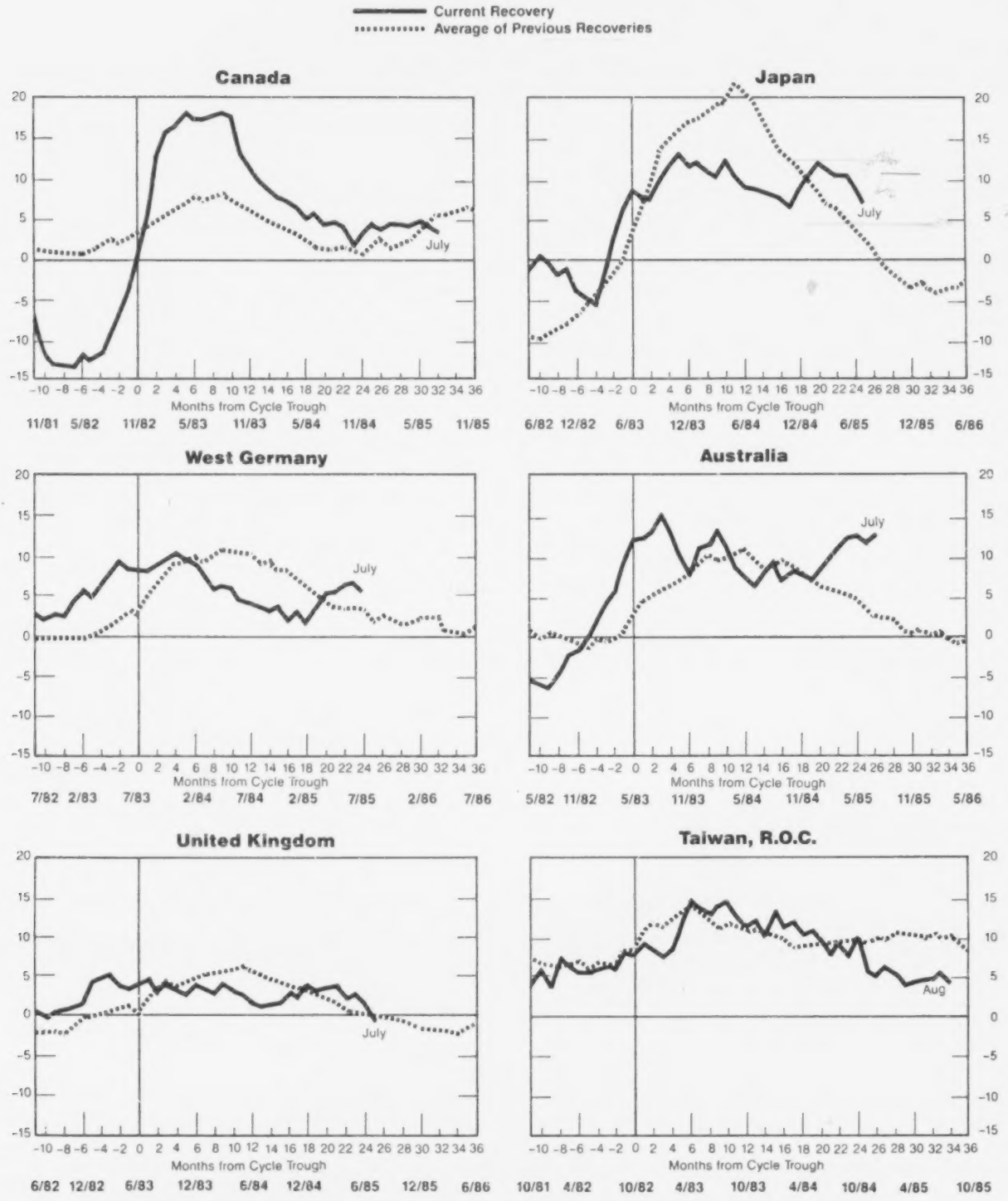
For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

Recovery Patterns, Six Countries

Growth Rates in Leading Business Cycle Indexes



Note: Recoveries start from the growth cycle trough month in each country, as determined by the Center for International Business Cycle Research.

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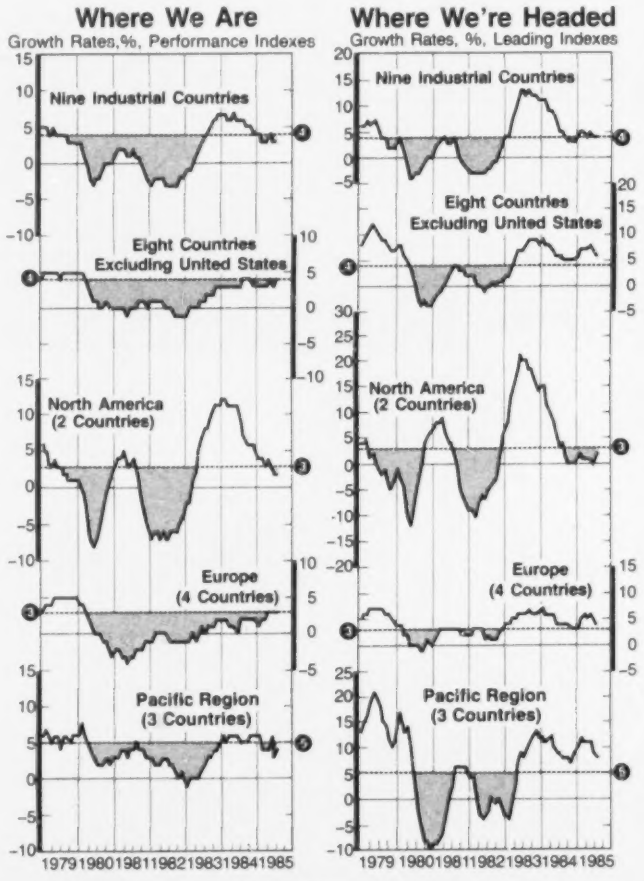
INDEXES, NINE COUNTRIES, 1983-85

		U.S.		Canada		West Germany		France		Italy		U.K.		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
May	84	109	121	102	110	100	115	100	120	98	112	93	109	112	110	104	112	124	139
June	84	110	120	103	112	98	115	99	120	99	112	93	109	113	110	104	112	123	139
July	84	110	120	104	112	100	115	100	121	100	112	93	109	113	111	105	114	123	139
Aug.	84	110	121	104	112	101	116	100	122	100	113	93	109	114	112	105	115	124	141
Sept.	84	110	120	104	112	101	116	100	123	101	113	94	109	114	113	106	115	123	141
Oct.	84	110	119	105	111	102	116	99	123	100	114	94	110	115	113	106	116	124	143
Nov.	84	111	120	105	112	102	116	99	124	99	114	94	110	116	113	107	117	125	142
Dec.	84	112	120	106	113	102	117	99	123	99	114	95	111	116	115	107	117	124	142
Jan.	85	111	120	105	114	102	116	98	124	99	116	94	111	117	117	108	119	123	144
Feb.	85	112	122	106	114	102	117	99	125	100	117	94	112	116	119	109	120	124	144
Mar.	85	112	121	106	115	102	119	100	126	101	117	95	112	116	119	108	122	125	144
Apr.	85	112	121	107	115	103	119	100	126	100	118	95	111	117	120	108	124	126	144
May	85	112	121	107	116	104	120	100	127	102	121	96	112	118	121	111	125	126	145
June	85	112	120	108	116	104	121	100	127		119	96	111	117	121	110	126	126	146
July	85	112	121	108	116	105	121		127		122	96	110	118	121	112	127	124	147
Aug.	85	113	123						126									124	147
		Growth Rates, Percent																	
May	84	12	8	4	5	2	6	−1	9	3	5	0	2	5	11	12	8	14	11
June	84	11	6	4	6	−1	4	−1	7	5	4	0	2	5	9	9	7	11	10
July	84	9	3	6	5	3	4	0	7	6	3	0	1	5	9	10	9	9	8
Aug.	84	8	4	5	5	4	4	0	7	7	5	0	1	5	9	8	9	8	9
Sept.	84	7	2	4	4	3	3	0	8	7	3	1	2	5	8	8	7	6	8
Oct.	84	6	0	4	1	4	3	−1	7	4	4	2	3	6	8	7	8	6	9
Nov.	84	6	0	5	3	3	2	−1	7	3	3	3	2	6	7	7	8	6	6
Dec.	84	6	−1	5	4	3	3	−2	4	2	3	3	4	6	9	7	7	3	5
Jan.	85	4	0	4	4	4	1	−2	5	1	5	3	3	6	11	7	8	1	6
Feb.	85	4	2	4	4	3	3	0	5	2	7	2	4	4	12	7	10	2	5
Mar.	85	3	1	4	4	3	5	0	7	3	6	3	4	4	12	5	11	3	4
Apr.	85	4	0	4	4	4	5	1	5	1	8	3	2	4	11	4	13	4	4
May	85	3	1	5	5	4	7	2	6	4	11	4	3	5	11	7	13	3	5
June	85	2	0	4	4	4	7	1	6		7	3	2	3	9	6	12	2	5
July	85	2	1	4	4	5	6		4		10	3	−1	4	7	8	13	0	6
Aug.	85	3	3						2									−1	4
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
May	84	105	116	103	113	108	120	98	115	112	111
June	84	106	116	103	113	109	120	97	114	112	111
July	84	106	116	104	114	109	119	98	115	112	112
Aug.	84	106	117	104	114	109	120	99	115	113	113
Sept.	84	107	117	104	115	110	120	99	116	113	114
Oct.	84	107	117	105	115	110	119	99	116	114	115
Nov.	84	107	117	105	115	111	119	99	116	115	115
Dec.	84	108	118	105	116	111	119	99	117	115	116
Jan.	85	108	118	105	117	111	120	99	117	116	118
Feb.	85	108	120	105	118	111	121	99	118	115	120
Mar.	85	108	120	106	119	111	120	100	119	116	120
Apr.	85	109	120	106	120	112	120	100	119	116	121
May	85	109	121	107	121	112	120	100	120	118	122
June	85	109	120	107	121	112	120	101	120	117	122
July	85	109	121	107	121	112	121	101	120	118	122
		Growth Rates, Percent									
May	84	7	8	3	7	11	8	1	6	6	10
June	84	6	6	3	6	11	6	0	4	6	9
July	84	6	5	3	6	9	3	2	4	5	9
Aug.	84	5	5	4	6	8	4	2	4	5	9
Sept.	84	5	4	4	5	7	2	2	4	5	8
Oct.	84	5	3	4	5	6	0	2	4	6	8
Nov.	84	5	3	4	5	6	0	2	3	6	7
Dec.	84	4	3	3	5	6	0	2	3	6	9
Jan.	85	4	4	3	6	4	1	1	3	6	10
Feb.	85	3	5	3	7	4	2	2	5	4	12
Mar.	85	3	5	3	7	3	1	2	6	4	11
Apr.	85	3	4	3	7	4	1	3	5	4	11
May	85	4	5	4	8	3	1	3	6	6	11
June	85	3	4	3	7	2	0	3	5	3	9
July	85	3	4	4	6	2	2	3	4	4	8
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5


Where We Are
Growth Rates,%, Performance Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985
Where We're Headed
Growth Rates, %, Leading Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

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INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

NOVEMBER, 1985

SUMMARY

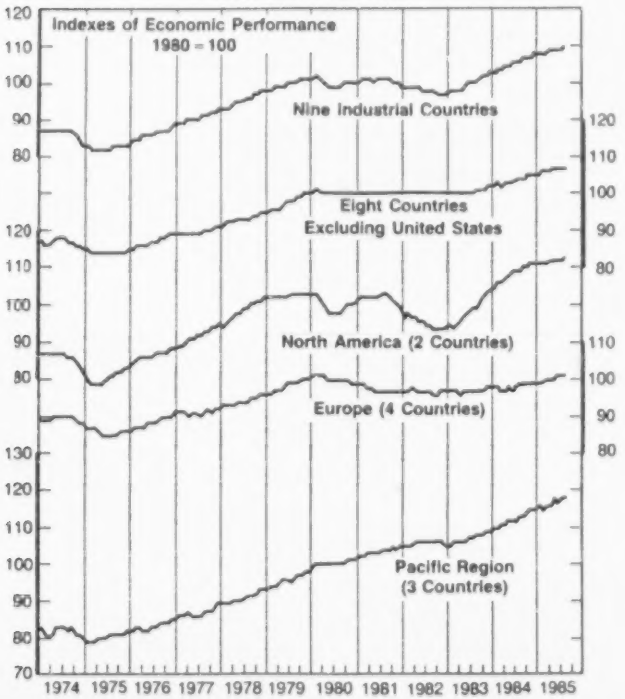
The leading indexes are acting like they, too, are trying to get to the summit. They are, however, finding the path a bit rough. The nine-country leading index is climbing at a 3 percent growth rate—a satisfactory pace, perhaps, but no more than that. The rates for individual countries range from zero to 11%. At the top are Australia, 11% and Italy, 10%. Taiwan, R.O.C. has moved up to third place, at 8%, a welcome sign in view of its recent weakness. The Canadian, West German and Japanese indexes are showing moderate strength, with growth rates of 3 to 5%. At the tag end are the United States, France and the United Kingdom, where the early warning indexes are either just creeping up or moving sideways.

More uniformity is to be found in the economic performance indexes, where 3% growth is displayed by each of the three regional measures, which cover Europe, the Pacific region, and North America. Among individual countries, Australia's expansion continues at a strong 8% pace, while a stalling pattern persists in the economic performance index for Taiwan, R.O.C.

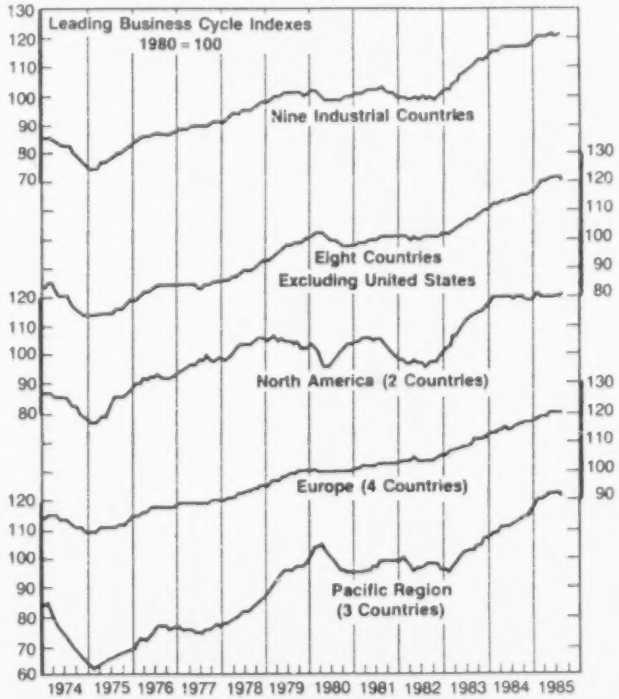
	Ten-year Growth Rate 1969-79	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	5	5	3	3	4	3	Expansion continuing	Aug.
8 countries ex. U.S.	4	8	8	4	3	4	3	Expansion continuing	Aug.
Europe (4)	3	6	6	4	2	3	3	Expansion continuing	Aug.
Pacific Region (3)	5	12	11	4	4	6	3	Expansion continuing	Aug.
North America (2)	3	2	1	1	4	3	3	Expansion continuing	Aug.
United States	3	1	-1	1	3	2	2	Expansion reviving	Sept.
Canada	4	4	5	5	4	5	5	Expansion continuing	Aug.
West Germany	3	6	6	5	3	4	3	Expansion continuing	Aug./Sept.
France	4	7	6	1	0	2	3	Expansion reviving, leaders weak	Sept./Aug.
United Kingdom	2	4	3	0	2	4	2	Expansion steady, leaders weak	Aug.
Italy	3	8	12	10	1	1	4	Expansion continuing	Aug./July
Japan	5	12	11	3	4	5	3	Expansion continuing	Aug.
Australia	4	10	13	11	7	8	8	Expansion continuing	Aug.
Taiwan, R.O.C.	10	4	5	8	3	2	-1	Expansion stalled, leaders strong	Sept.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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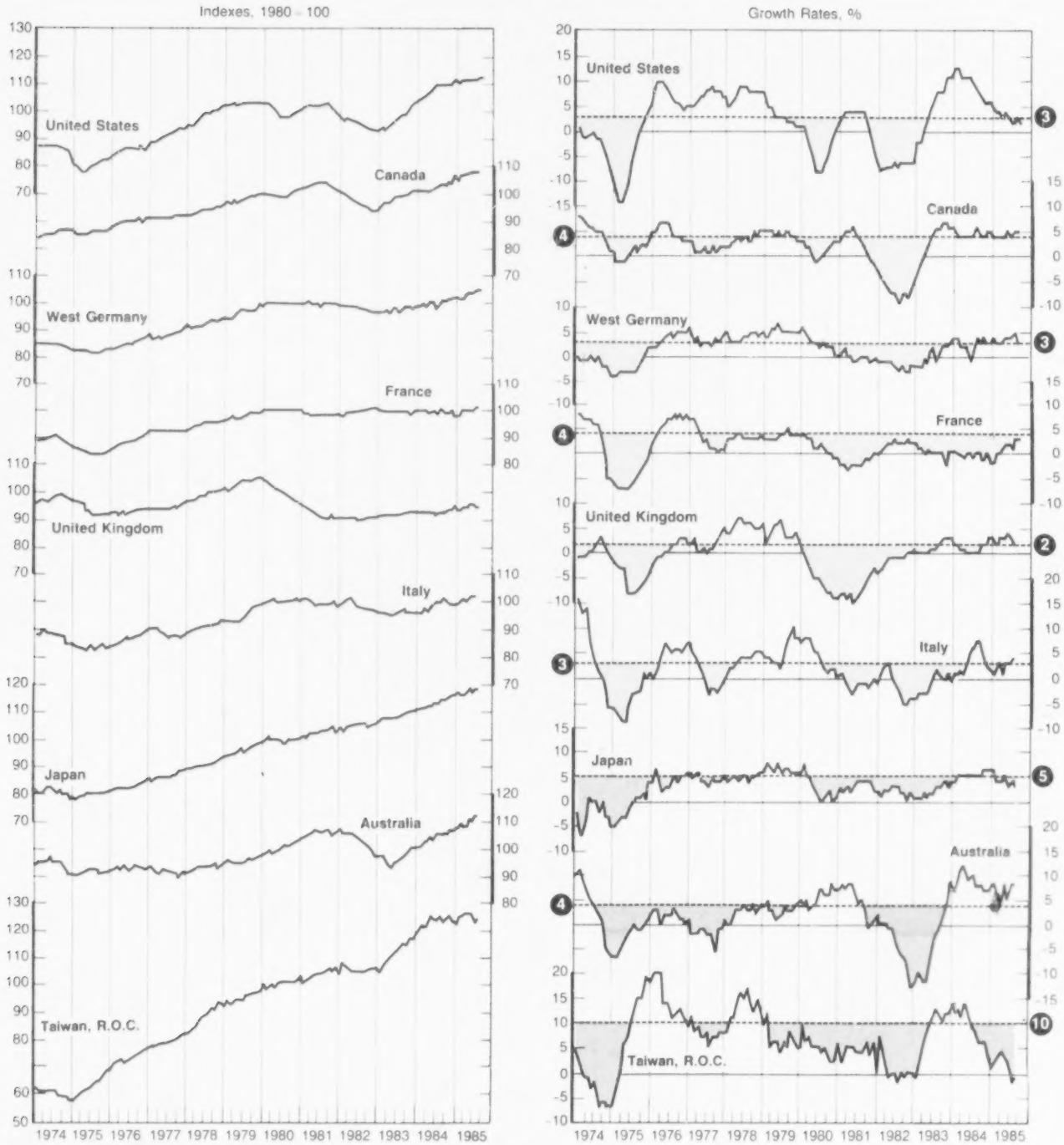
Where We Are

Indexes of Economic Performance



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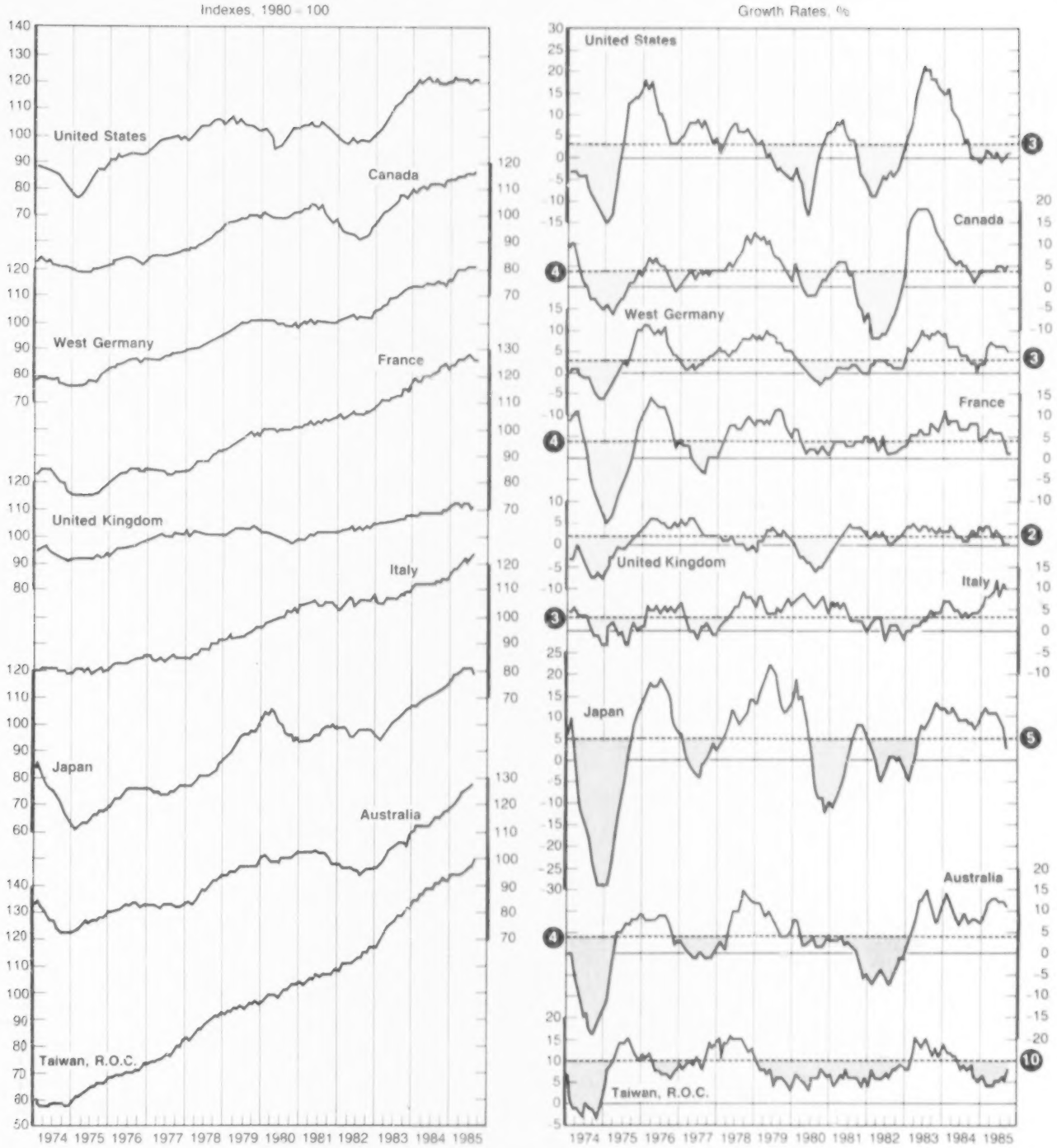
Sources: CIBCR and The Conference Board

Where We're Headed

Leading Business Cycle Indexes



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Sources: CIBCR and The Conference Board

INDEXES, NINE COUNTRIES, 1983-85

		U.S.		Canada		West Germany		France		Italy		U.K.		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	84	110	120	104	112	100	115	100	121	99	112	93	109	113	111	105	114	123	139
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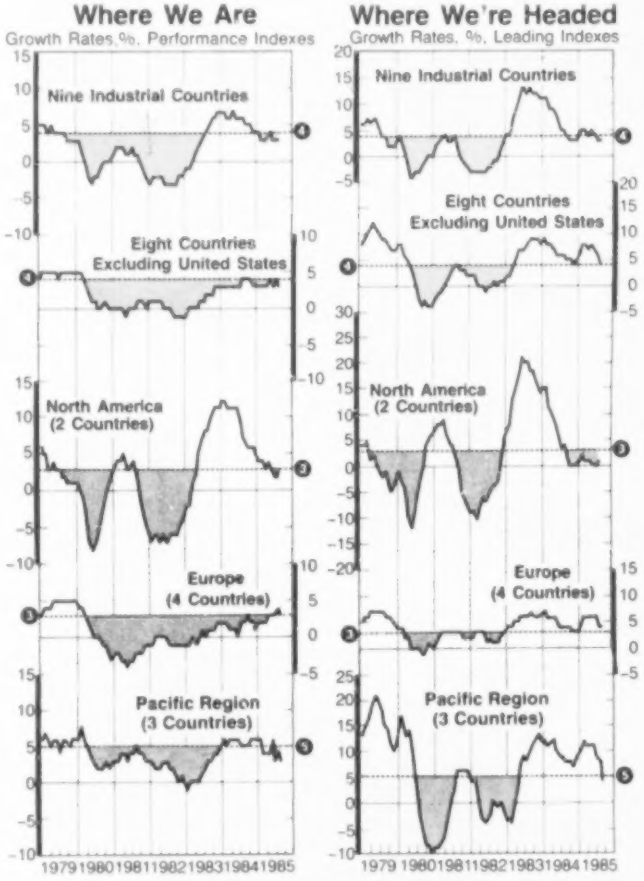
Jan.	85	111	120	105	114	102	116	98	124	99	116	95	111	117	117	108	119	123	144
Feb.	85	112	122	106	114	102	119	99	125	100	118	94	112	116	119	109	120	124	144
Mar.	85	112	121	106	115	102	120	100	126	101	118	95	112	116	119	108	122	125	144
Apr.	85	112	121	107	115	103	120	100	126	100	120	95	111	117	120	108	124	126	144
May	85	112	121	107	116	104	120	100	127	101	122	96	112	118	121	111	125	126	145
June	85	112	120	108	116	104	121	100	128	102	120	96	112	117	121	110	126	126	146
July	85	112	120	108	116	105	121	101	127	102	123	96	110	118	121	112	127	124	147
Aug.	85	113	121	108	117	105	121	101	126	126	124	95	111	118	119	112	128	123	147
Sept.	85	113	121			105												124	150
		Growth Rates, Percent																	
July	84	9	3	6	5	3	4	0	7	5	3	0	1	5	9	10	8	9	8
Aug.	84	8	4	5	5	4	4	0	7	7	4	0	1	5	9	8	9	8	9
Sept.	84	7	2	4	4	3	2	0	8	7	3	1	2	5	8	8	7	6	8
Oct.	84	6	0	4	1	4	2	-1	7	4	4	2	3	6	8	7	8	6	9
Nov.	84	6	0	5	3	3	0	-1	7	3	4	3	2	6	7	7	8	6	6
Dec.	84	6	-1	5	4	3	2	-2	4	2	4	3	4	6	9	7	7	3	5
Jan.	85	4	0	4	4	4	2	-2	5	1	6	3	3	6	11	8	8	1	6
Feb.	85	4	2	4	4	3	6	0	5	2	8	2	4	4	12	7	10	2	5
Mar.	85	3	1	4	4	3	7	0	7	3	8	3	4	4	11	5	12	3	4
Apr.	85	4	0	4	4	4	6	1	6	1	9	3	2	4	11	4	13	4	4
May	85	3	1	5	5	4	6	2	6	3	12	4	3	5	11	8	13	3	5
June	85	2	-1	4	5	4	6	1	6	3	8	3	2	3	9	5	12	2	5
July	85	2	0	5	4	5	6	3	3	4	11	2	0	4	7	8	12	0	6
Aug.	85	3	1	5	5	4	5	3	1		10	2	0	3	3	8	11	-2	5
Sept.	85	2	1			3			1									-1	8
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	84	106	116	104	114	109	119	98	115	112	112
Aug.	84	106	117	104	114	109	120	99	115	113	113
Sept.	84	107	117	104	115	110	120	99	115	113	114
Oct.	84	107	117	105	115	110	119	99	116	114	115
Nov.	84	107	117	105	115	111	119	99	116	115	115
Dec.	84	108	118	105	116	111	119	99	116	115	116
Jan.	85	108	119	105	117	111	120	99	117	116	118
Feb.	85	108	120	105	119	111	121	99	118	115	120
Mar.	85	108	120	106	120	111	120	100	119	116	120
Apr.	85	109	120	106	120	112	120	100	119	116	121
May	85	109	121	107	121	112	120	100	120	118	122
June	85	109	120	107	121	112	120	100	120	117	122
July	85	109	120	107	121	112	120	101	120	118	122
Aug.	85	110	121	107	120	113	121	101	120	118	121
		Growth Rates, Percent									
July	84	6	5	3	6	9	3	2	4	5	9
Aug.	84	5	5	4	6	8	4	2	4	5	9
Sept.	84	5	4	4	5	7	2	3	4	5	8
Oct.	84	5	3	4	5	6	0	2	4	6	8
Nov.	84	5	2	4	4	6	0	2	3	6	7
Dec.	84	4	3	3	5	6	0	1	3	6	9
Jan.	85	4	4	3	6	4	1	2	4	6	10
Feb.	85	3	5	3	8	4	2	2	6	4	12
Mar.	85	3	5	3	8	3	1	2	6	4	11
Apr.	85	3	4	3	7	4	1	3	6	4	11
May	85	4	5	4	8	3	1	3	6	6	11
June	85	3	4	3	7	2	0	3	6	3	9
July	85	3	3	4	6	2	0	4	4	4	8
Aug.	85	3	3	3	4	3	1	3	4	3	4
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5


Where We Are
Growth Rates,%, Performance Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985
Where We're Headed
Growth Rates, %, Leading Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-6A

DECEMBER, 1985

SUMMARY

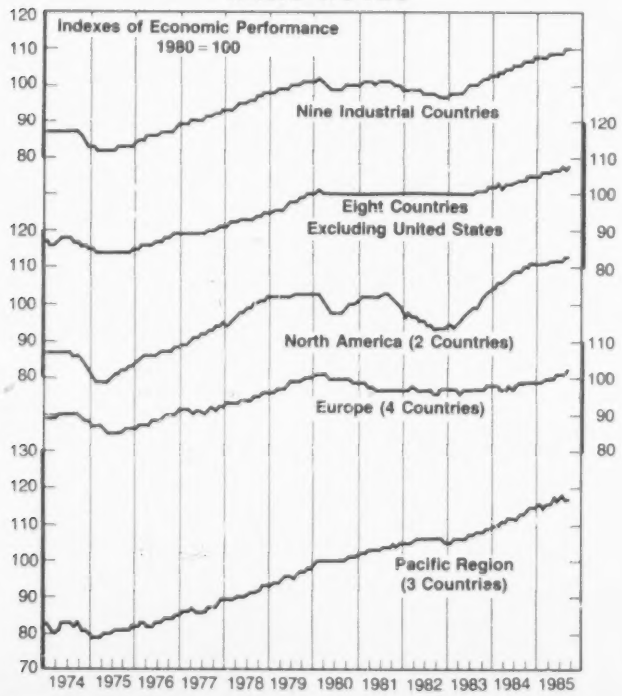
The approach of the holiday season is lifting economic spirits in most of the industrial world. The leading indexes are showing good strength in seven of the nine industrial countries. The exceptions are the United Kingdom and Japan, where the latest annual rates of change are – 1 percent and 1 percent, respectively. In Japan, where the leaders were expanding very briskly until midyear, the shift toward weakness has developed quite abruptly. The U.S. index has been gaining strength, with the most recent growth rate hitting 4 percent. The indexes for France, Canada, West Germany and Italy are picking up speed also, but are still no match for Australia and Taiwan, R.O.C., where double-digit growth rates prevail.

The economic performance indexes are more sedate; they continue to register expansion in each of the nine countries, mostly in the 2 to 5% range. But Australia's performance index has reached an impressive 10 percent growth rate, whereas Japan's is down to 1 percent.

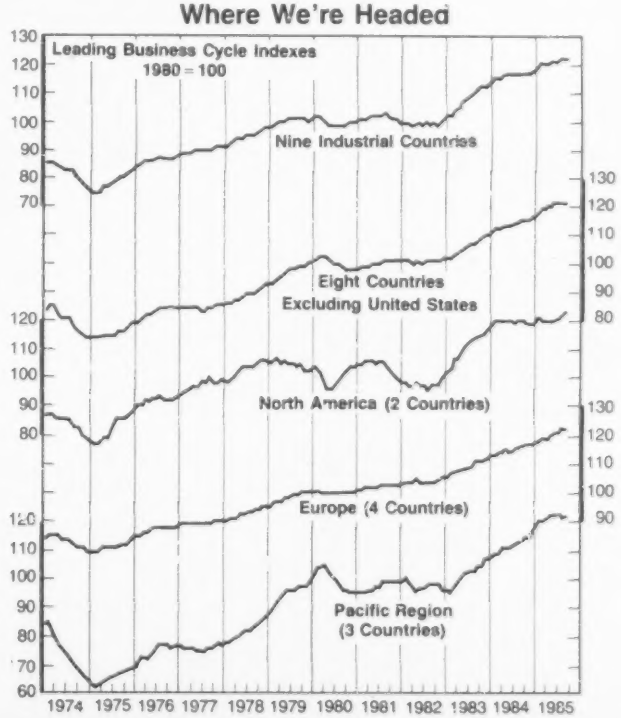
	Ten-year Growth Rate 1969-79	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	5	4	5	3	3	3	Expansion continuing	Sept.
8 countries ex. U.S.	4	8	7	4	3	3	3	Expansion continuing	Sept.
Europe (4)	3	6	6	5	2	3	4	Expansion continuing	Sept.
Pacific Region (3)	5	11	9	3	4	4	2	Expansion continuing	Sept.
North America (2)	3	1	1	5	3	2	3	Expansion continuing	Sept.
United States	3	0	1	4	4	2	3	Expansion continuing	Oct.
Canada	4	4	5	7	4	5	5	Expansion continuing	Sept.
West Germany	3	7	7	8	3	4	5	Expansion continuing	Sept.
France	4	6	6	5	0	2	3	Expansion continuing	Oct./Sept.
United Kingdom	2	4	2	–1	3	3	2	Expansion steady, leaders weak	Sept.
Italy	3	8	8	9	2	3	2	Expansion continuing	Sept./Aug.
Japan	5	11	9	1	4	3	1	Expansion slowing	Sept.
Australia	4	11	13	13	6	6	10	Expansion continuing	Sept.
Taiwan, R.O.C.	10	4	6	10	4	0	3	Expansion reviving	Oct.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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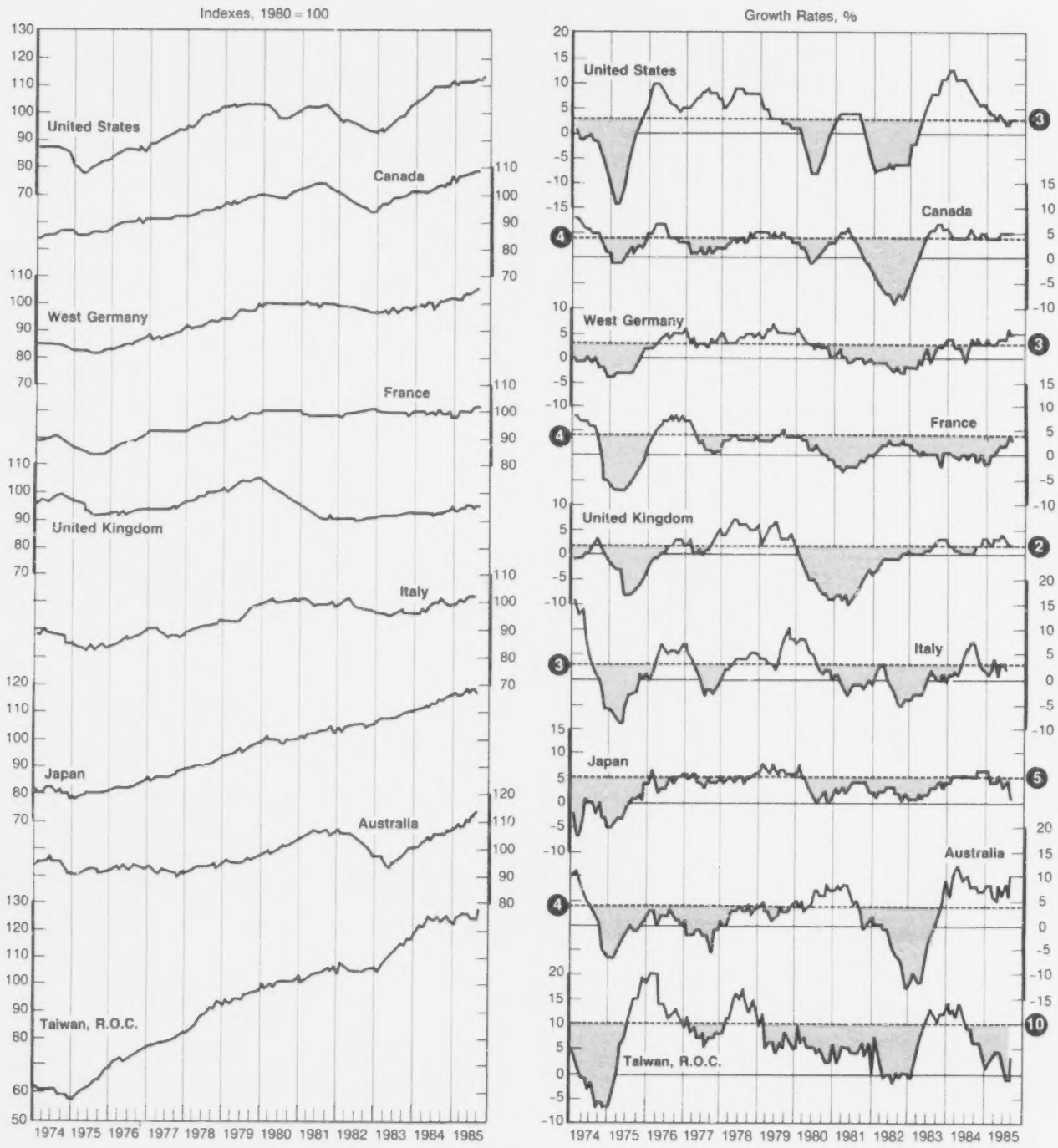
Where We Are

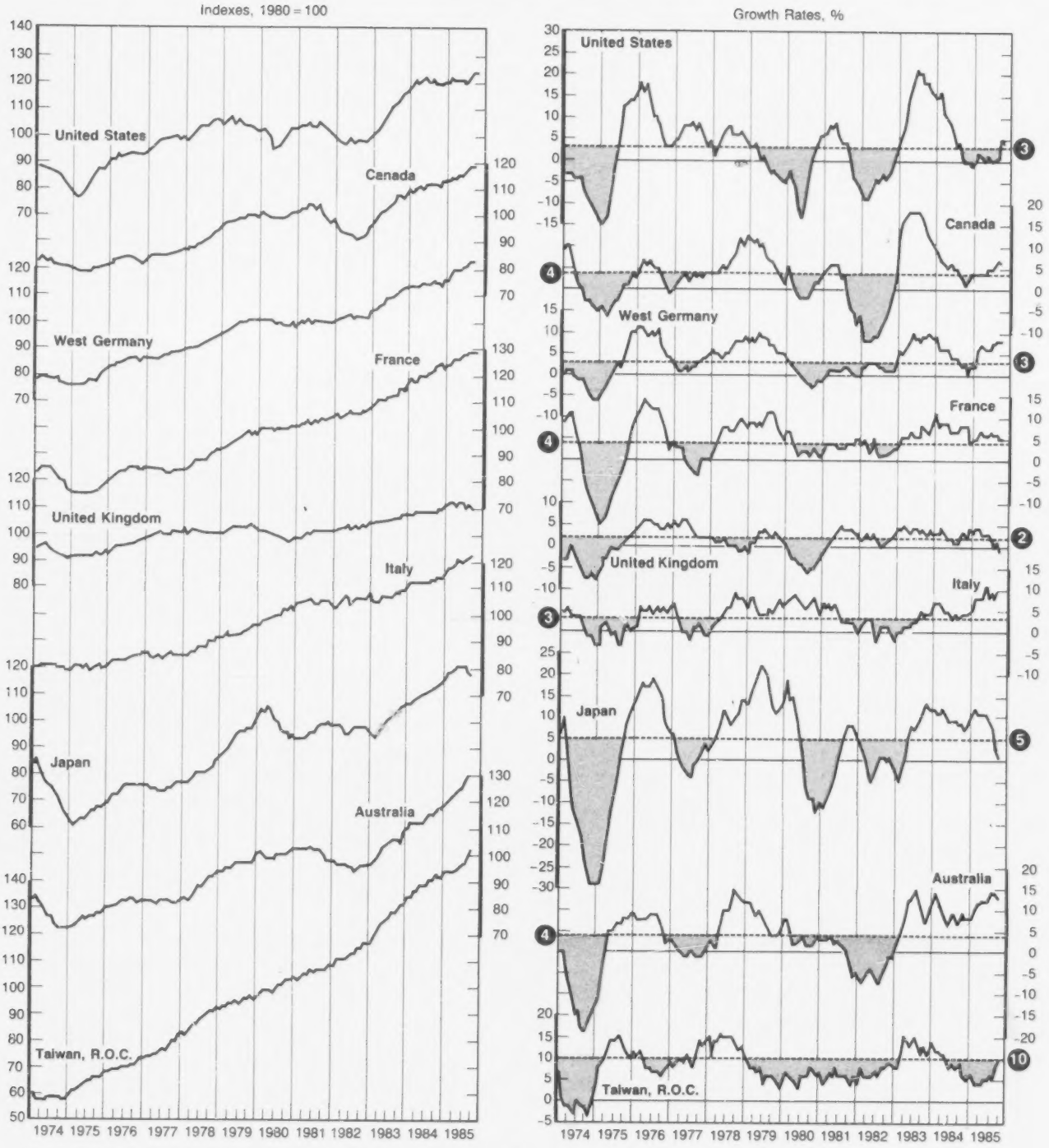
Indexes of Economic Performance



Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

Where We're Headed

Leading Business Cycle Indexes



Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP
Sources: CIBCR and The Conference Board

PERCEPTIVE

By design, the Scoreboard focuses almost all of its attention on current developments and near-term prospects. Every so often, however, it is useful to take a longer look to put matters in perspective. We do this with the chart on the next page, which shows the growth rates for the past three decades in the leading and performance indexes for the United States and for the eight countries combined. These series have quite a few things to say about the international character of business cycles.

1. The first thing the chart makes clear is the well-known relationship between the leading and performance indexes. This close relationship is, of course, the underlying concept of the indicator approach to business cycle analysis, and comparing each leading series (top panel of the chart) with the corresponding performance index below reveals that the economy "follows the leaders" rather faithfully. The average lead times are 4 months in the U.S., 3 months for the eight-country group.

2. Furthermore, the leaders provide an early warning not only of which direction the economy is headed, but also of approximately how fast it's getting there. If the leading index advances at rates well above the long-run trend (3% in the U.S., 4% in the other group), that most likely will be followed by above-average expansion in the performance indexes. Similarly, slow growth in the leaders begets slow growth for the economy. And the same pattern holds on the downside: the farther the leaders sink, the more the economy weakens.

3. Another point the chart makes is that there is considerable correspondence between business cycles in the United States and in other countries. Although it is not true in every instance, most cyclical swings in the U.S. are matched by corresponding swings in the eight-country composite. Note, for example, that five of the six recessions in the U.S. during these three decades (shaded areas in the top line of the bottom panel) are matched by weakness in the eight-country composite. The exception is the 1960-61 recession in the U.S., which came at a time when the other group continued to expand briskly. Two other differences should be noted: first, cyclical weakness appeared in the eight-country index in 1977 when there was hardly any faltering in the U.S. expansion. Second, from 1980 through 1982, when the U.S. had two recessions with a brief recovery in between, the other group stayed mired in recession during all three years. Thus, while there are a few distinct differences in cyclical behavior between the U.S. and the rest of the industrial world, the general pattern is one of fairly close conformity.

4. Also, on the timing of these international cycles, it turns out that U.S. indexes have almost always moved in advance of the eight-country indexes. On average, the U.S. leading index growth rate has crossed the trend line 8 months before the eight-country leading index has crossed its trend line. For the performance indexes, the average lead of the United States index is 9 months. This relationship holds both for downturns and upturns. This provides some support for the frequently heard idea that the U.S. economy serves as a "locomotive" for the rest of the world. The analogy should not be overdrawn, because foreigh trade is still a modest though growing fraction of total economic activity in the U.S. Yet the conformity and timing of business cycles throughout the industrial world argue that to some extent the U.S. locomotive has not only pulled other countries into recession, it has also pulled them out.

5. There is some evidence that the more international recessions are in scope, the more severe they become. In the United States, the 1957-58, 1974-75, and 1981-82 recessions were the most severe of the past thirty years, and on each of those occasions cyclical weakness was present in *all* of the other eight countries. Correspondingly, in 1960-61, when the U.S. had a mild recession, cyclical weakness appeared in only two of the other countries (Canada and Australia). However, the pattern doesn't always hold: The U.S. recession of 1969-70 was a mild one despite the fact that all the other countries also experienced downturns at that time. Accordingly, we have to think of this connection between the international scope of cycles and their severity as a tendency rather than as a fixed rule.

6. Is there a *trend* toward more severe recessions? In the U.S., many people have said, and continue to say, that the 1982 recession was the worst since the 1930s. This was true for quite a number of industries, but the comprehensive U.S. data in our charts don't show it. Abroad, the three-decade record of the economic performance index for the eight countries combined does show a well-defined shift toward more severe cycles. Curiously, however, this idea is not confirmed by the leading index for the eight countries. Thus evidence is mixed and the issue is far from settled.

7. The current position of the indexes, in the light of thirty years of history, looks moderately favorable. It is clearly not the best of times but, just as clearly, not the worst.

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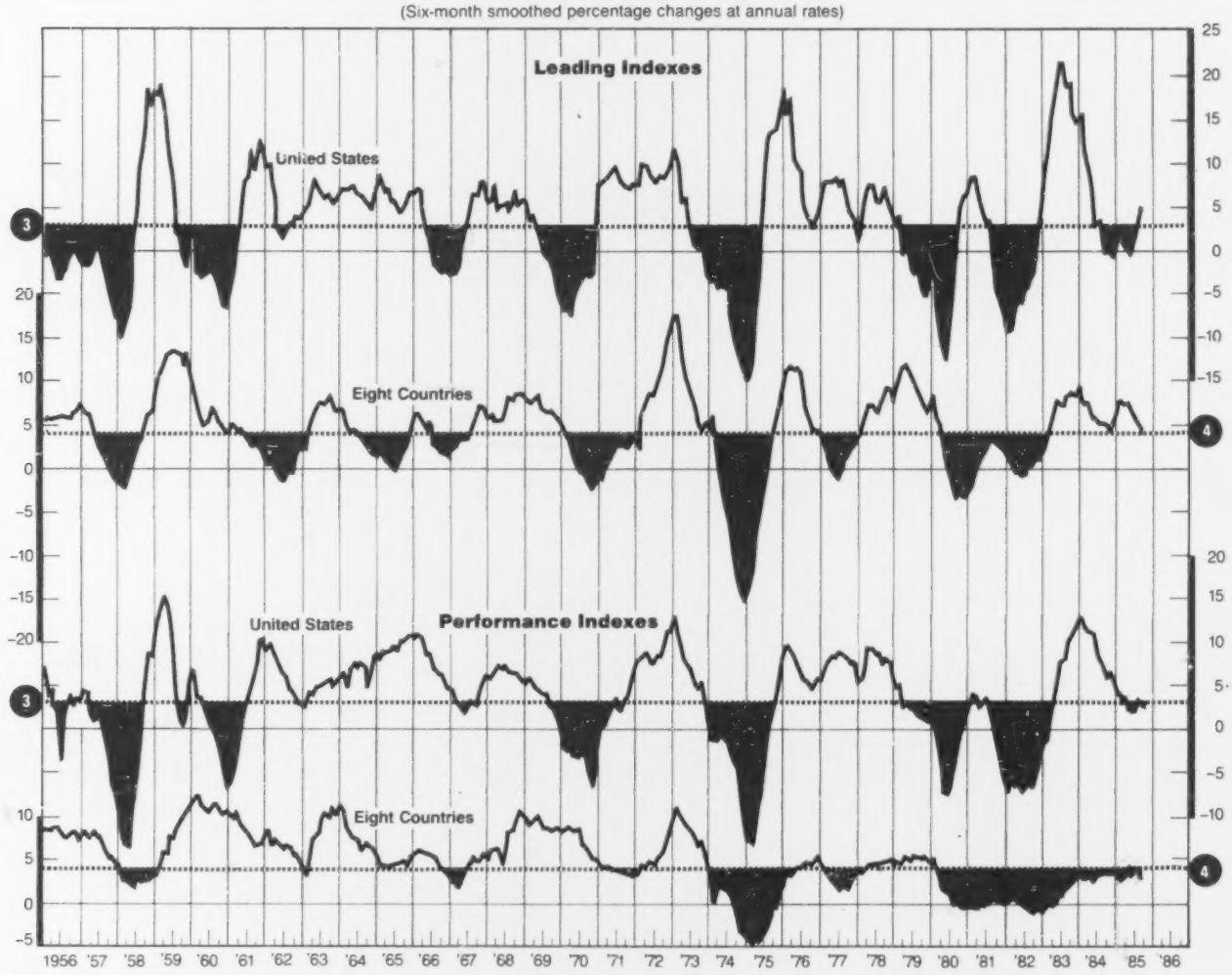
Growth Rates in Business Cycle Indexes

United States and Eight other Countries

(Six-month smoothed percentage changes at annual rates)


Leading Indexes
United States
Eight Countries
Performance Indexes
United States
Eight Countries
1956 '57 '58 '59 '60 '61 '62 '63 '64 '65 '66 '67 '68 '69 '70 '71 '72 '73 '74 '75 '76 '77 '78 '79 '80 '81 '82 '83 '84 '85 '86

Note: Shaded areas show when the growth rate falls below the long-term trend which is indicated by the dashed horizontal line.
The eight countries are Canada, United Kingdom, West Germany, France, Italy, Japan, Australia and Taiwan, R.O.C.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

For More Information

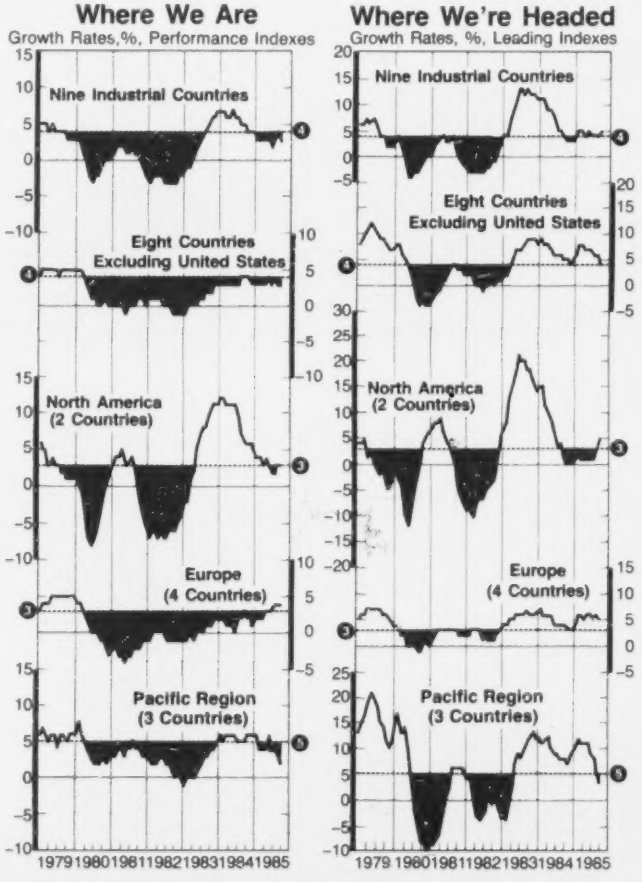
To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

INDEXES, NINE COUNTRIES, 1983-85

		U.S.		Canada		West Germany		France		Italy		U.K.		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	84	110	120	104	112	100	115	100	121	99	112	93	109	113	111	105	114	123	139
Aug.	84	110	121	104	112	101	116	100	122	100	113	93	109	114	112	105	115	124	141
Sept.	84	110	120	104	112	101	115	100	123	101	113	93	109	114	113	106	115	123	141
Oct.	84	110	119	105	111	102	115	99	123	100	114	94	110	115	113	106	116	124	143
Nov.	84	111	120	105	112	102	114	99	124	99	114	94	110	116	113	107	117	125	142
Dec.	84	112	120	106	113	102	116	99	123	99	114	95	111	116	115	107	118	124	142
Jan.	85	111	120	105	113	102	116	98	124	99	116	95	111	117	117	108	119	123	144
Feb.	85	112	122	106	114	102	119	99	125	100	118	94	112	116	119	109	120	124	144
Mar.	85	112	121	106	114	102	120	100	126	101	118	95	112	116	119	108	122	125	144
Apr.	85	112	121	107	115	103	120	100	126	100	119	95	111	117	120	109	123	126	144
May	85	112	121	107	115	104	120	100	127	101	121	96	112	118	121	111	124	126	145
June	85	112	120	108	116	104	121	100	128	102	120	96	112	117	121	110	126	125	146
July	85	112	121	108	117	105	122	101	128	102	121	95	110	118	121	112	128	124	147
Aug.	85	113	122	109	119	105	123	102	129	102	122	96	111	118	119	112	129	124	147
Sept.	85	113	124	109	119	106	123	102	129		123	96	110	117	118	114	130	124	150
Oct.	85	114	124						129									127	152
		Growth Rates, Percent																	
July	84	9	3	6	5	3	4	0	7	5	3	0	1	5	9	10	8	9	8
Aug.	84	8	4	5	5	4	4	0	7	7	4	0	1	5	9	8	9	9	9
Sept.	84	7	2	4	4	3	2	0	8	7	3	1	2	5	8	8	7	6	8
Oct.	84	6	0	4	1	4	2	–1	7	4	4	2	3	6	8	7	9	6	9
Nov.	84	6	0	5	3	3	0	–1	7	3	4	3	2	6	7	7	8	6	6
Dec.	84	6	–1	5	4	3	2	–2	4	2	4	3	4	6	9	7	8	3	5
Jan.	85	4	0	4	4	4	2	–2	5	1	5	3	3	6	11	8	8	1	6
Feb.	85	4	2	4	4	3	6	0	5	2	8	2	4	4	12	8	10	2	5
Mar.	85	3	1	4	4	3	7	0	7	4	8	3	4	4	11	6	11	3	4
Apr.	85	4	0	4	4	4	6	1	6	1	8	3	3	4	11	5	12	4	4
May	85	3	1	5	5	4	6	2	6	3	11	4	3	5	11	8	12	4	5
June	85	2	0	5	5	4	7	2	7	3	8	3	2	3	9	6	13	2	5
July	85	2	1	5	6	6	7	3	6	3	9	2	0	4	7	8	14	0	6
Aug.	85	3	2	5	8	5	8	4	6	2	8	2	1	3	3	6	14	–1	5
Sept.	85	3	5	5	7	5	8	3	5		9	2	–1	1	1	10	13	–1	8
Oct.	85	3	4						5									3	10
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	84	106	116	104	114	109	119	98	115	112	112
Aug.	84	106	117	104	114	109	120	99	115	113	113
Sept.	84	107	117	104	115	110	120	99	115	113	114
Oct.	84	107	117	105	115	110	119	99	116	114	115
Nov.	84	107	117	105	115	111	119	99	116	115	115
Dec.	84	108	118	105	116	111	119	99	116	115	116
Jan.	85	108	118	105	117	111	120	99	117	116	118
Feb.	85	108	120	105	119	111	121	99	118	115	120
Mar.	85	108	120	106	119	111	120	100	119	116	120
Apr.	85	109	120	106	120	112	120	100	119	116	121
May	85	109	121	107	121	112	120	100	120	118	122
June	85	109	121	107	121	112	120	101	121	117	122
July	85	109	121	108	121	112	121	101	120	118	122
Aug.	85	110	122	107	121	113	122	101	122	117	121
Sept.	85	110	122	108	121	113	123	102	122	117	121
		Growth Rates, Percent									
July	84	6	5	3	6	9	3	2	4	5	9
Aug.	84	5	5	4	6	8	4	2	4	5	9
Sept.	84	5	4	4	5	7	2	3	4	5	8
Oct.	84	4	3	4	5	6	0	2	4	6	8
Nov.	84	4	2	4	4	6	0	2	3	6	7
Dec.	84	4	3	3	5	6	0	1	3	6	9
Jan.	85	3	4	3	6	4	1	2	4	6	10
Feb.	85	3	5	3	8	4	2	2	6	4	12
Mar.	85	3	5	3	8	3	1	2	6	4	11
Apr.	85	3	4	3	7	4	1	3	5	4	11
May	85	3	5	4	7	3	1	3	6	6	11
June	85	2	4	3	7	2	1	3	6	4	9
July	85	3	4	4	6	2	1	4	5	4	8
Aug.	85	4	4	3	6	3	3	4	6	3	5
Sept.	85	3	5	3	4	3	5	4	5	2	3
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5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Growth Rates,%, Performance Indexes
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Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
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1979 1980 1981 1982 1983 1984 1985
Where We're Headed
Growth Rates, %, Leading Indexes
Nine Industrial Countries
Eight Countries Excluding United States
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Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-CA

JANUARY, 1986

SUMMARY

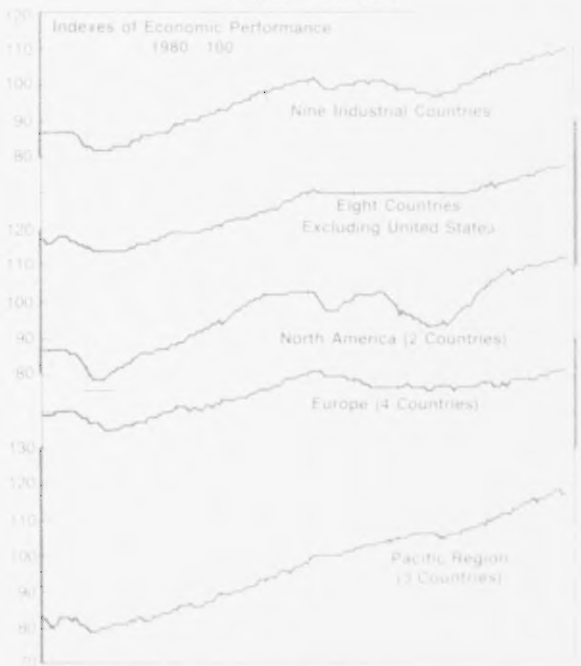
Sturdy but unspectacular expansion continues to be the basic message about the world business cycle. In most industrial countries the leading indexes are rising at a fairly good clip. The highest growth rates—between 9 and 11 percent—are in Australia, Taiwan, R.O.C. and Italy. In the intermediate range—3 to 6 percent—are Canada, West Germany, France and the U.S. Only in the United Kingdom and Japan are the leading indexes pursuing a roughly horizontal course. For the nine countries as a group, the leading index is advancing at a 3 percent rate.

The nine-country index of economic performance is rising at the same 3-percent rate. Among individual countries, Australia again tops the list with a 9 percent growth rate. At the bottom, weakness again prevails in the performance indexes for the United Kingdom, Japan, and Taiwan, R.O.C. Italy's economic performance index also weakened noticeably in recent months despite the strength shown by its leading index.

	Ten-year Growth Rate 1969-'79	Leading Business Cycle Indexes: Growth Rates[1] 6 mos. ago	3 mos. ago	Latest month	Indexes of Economic Performance: Growth Rates[1] 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	3	4	3	3	3	3	Expansion continuing	Oct
8 countries ex. U.S.	4	4	6	4	4	4	3	Expansion continuing	Oct
Europe (4)	3	3	4	3	4	4	3	Expansion continuing	Oct
Pacific Region (3)	5	5	7	7	4	4	3	Expansion continuing	Oct
North America (2)	3	3	3	2	3	3	3	Expansion continuing	Oct
United States	3	3	3	3	3	3	3	Expansion continuing	Nov
Canada	4	3	3	3	4	5	4	Expansion continuing	Oct
West Germany	2	5	5	5	5	6	6	Expansion continuing	Oct
France	4	6	6	6	3	3	3	Expansion continuing	Oct
United Kingdom	3	2	2	1	1	1	1	Expansion slowing	Oct
Italy	2	8	9	9	1	1	2	Expansion slowing, leaders strong	Oct
Japan	5	3	2	2	3	3	2	Expansion slowing	Oct
Australia	4	13	14	11	4	4	3	Expansion continuing	Oct
Taiwan, R.O.C.	10	10	10	11	1	1	1	Expansion moving	Nov

[1] Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed

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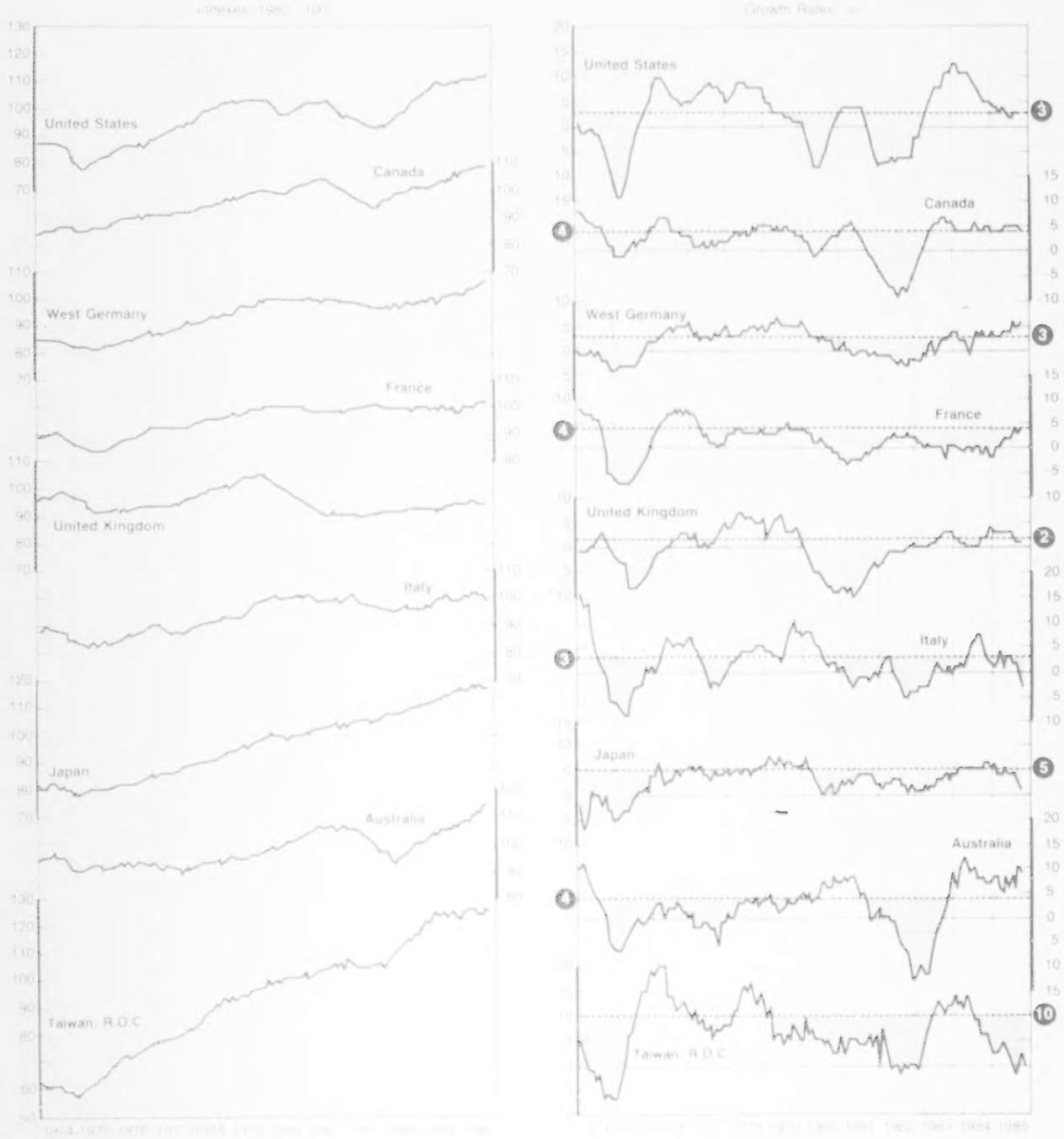
70th Anniversary

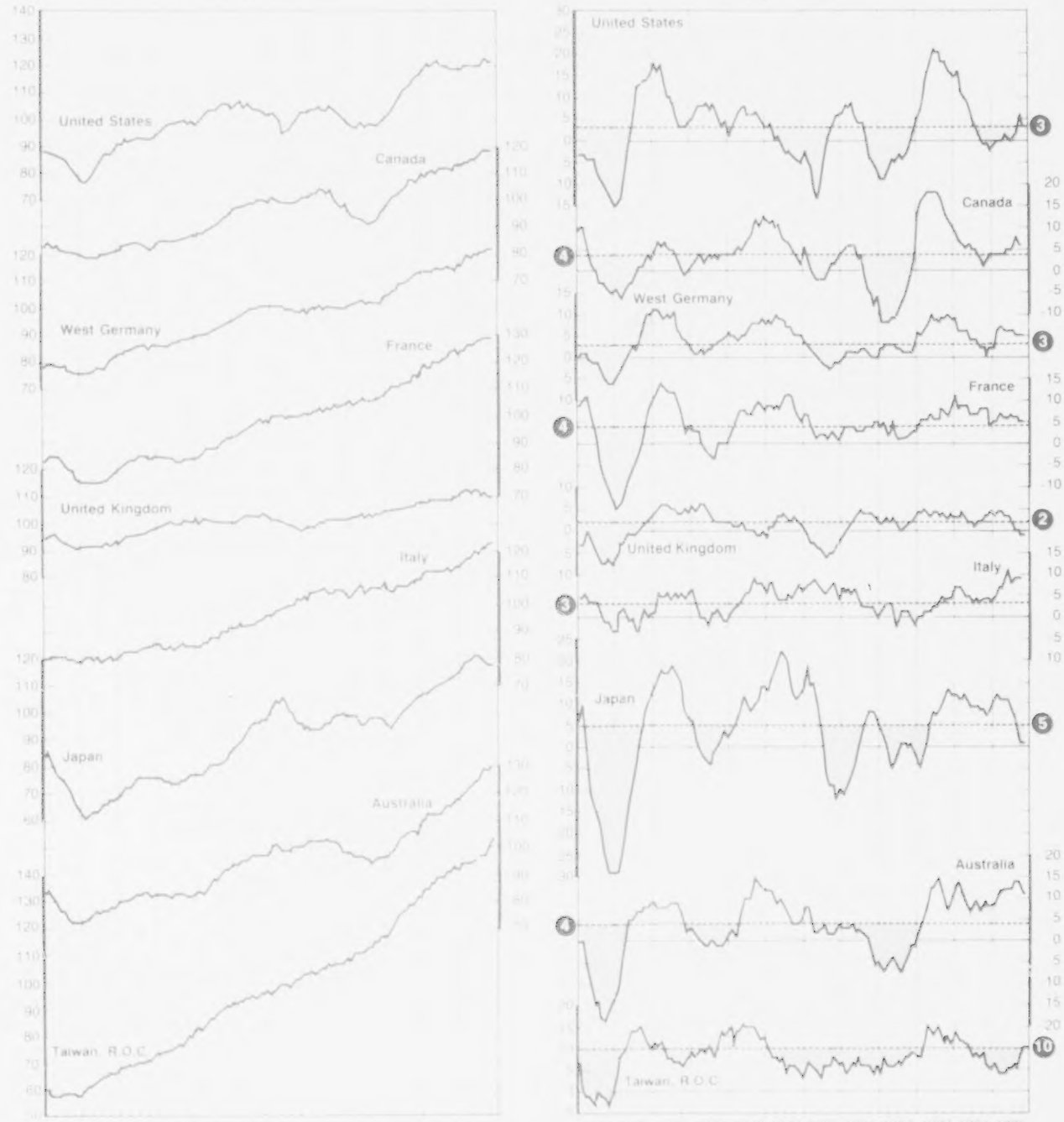
Where We Are

Indexes of Economic Performance



Where We're Headed

Leading Business Cycle Indexes



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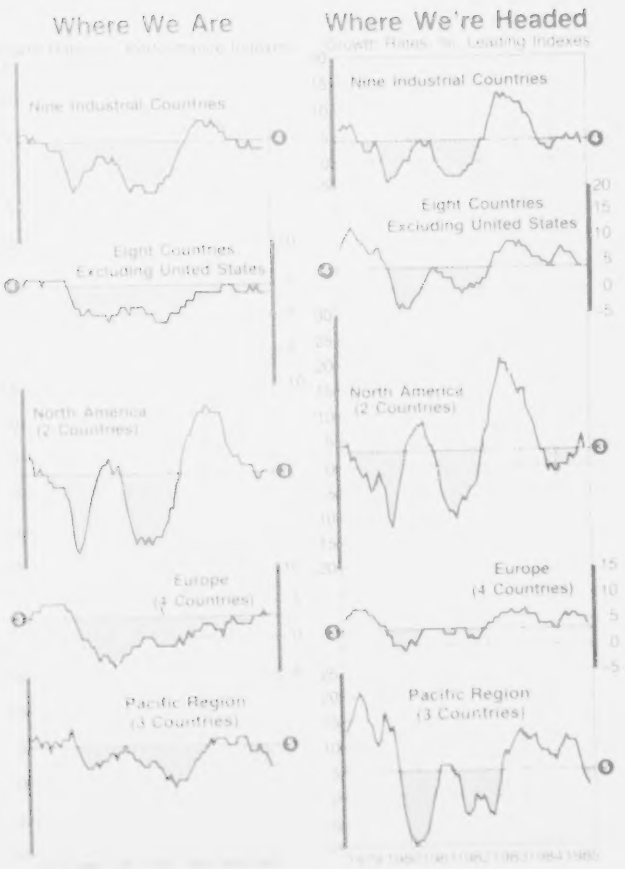
INDEXES, NINE COUNTRIES, 1984-85



A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

FEBRUARY, 1986

R4105-6A

SUMMARY

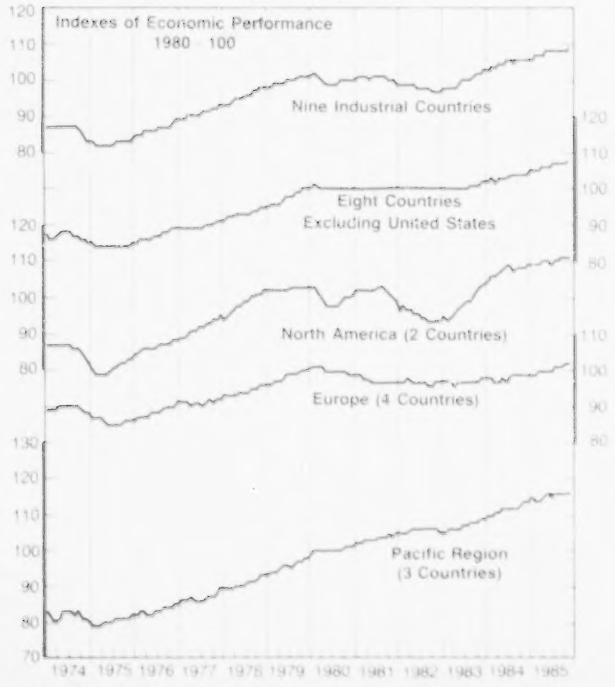
The most important message in the latest data on the world business cycle is the abrupt change in the economic outlook for Japan. As recently as the Spring of 1985 both the leading and performance indexes for Japan were growing with considerable vigor. Since then both indexes have changed direction. At the latest reading the performance index has leveled off, and the leading index is down noticeably. Among the component series that make up the leading index, weakness has been prominent in the ratio of prices to labor costs (an indicator of company profitability), raw materials prices, and new orders for machinery and construction. At this point, the declines in both indexes are not deep enough to rule out the idea that what we are seeing is just a brief interruption of an ongoing expansion. But although we cannot yet reach a conclusive judgment, it is possible that a recession started in Japan during the final quarter of 1985.

Elsewhere, the major industrial countries continue to experience cyclical expansion at a moderate pace. For most countries, it is a "no boom, no bust" pattern. The greatest strength continues to be recorded by Australia. In Taiwan, R.O.C., the business cycle appears to be reviving nicely following a brief relapse in mid-summer.

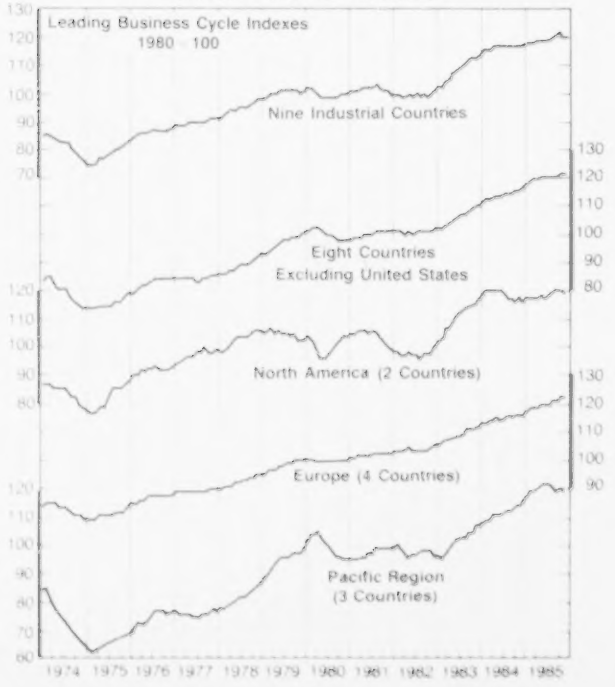
	Ten-year Growth Rate 1969-79	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	5	4	3	3	3	3	Expansion continuing	Nov.
8 countries ex. U.S.	4	7	5	3	4	3	3	Expansion continuing	Nov.
North America (2)	3	1	2	2	3	3	3	Expansion continuing	Nov.
Europe (4)	3	6	5	4	3	3	4	Expansion continuing	Nov.
Pacific Region (3)	5	10	4	0	5	3	1	Expansion stalling	Nov.
United States	3	0	5	3	2	3	4	Expansion continuing	Dec.
Canada	4	5	8	6	5	5	5	Expansion continuing	Nov.
West Germany	3	6	5	5	4	5	5	Expansion continuing	Nov.
France	4	7	6	6	1	3	6	Expansion continuing	Dec.
United Kingdom	2	3	0	0	3	2	2	Expansion slowing	Nov.
Italy	3	8	8	10	1	3	0	Expansion slowing leaders strong	Oct.
Japan	5	10	3	-2	5	3	0	Expansion stalling	Nov.
Australia	4	12	14	8	8	6	11	Expansion continuing	Nov.
Taiwan, R.O.C.	10	5	8	12	1	-1	4	Expansion reviving	Dec.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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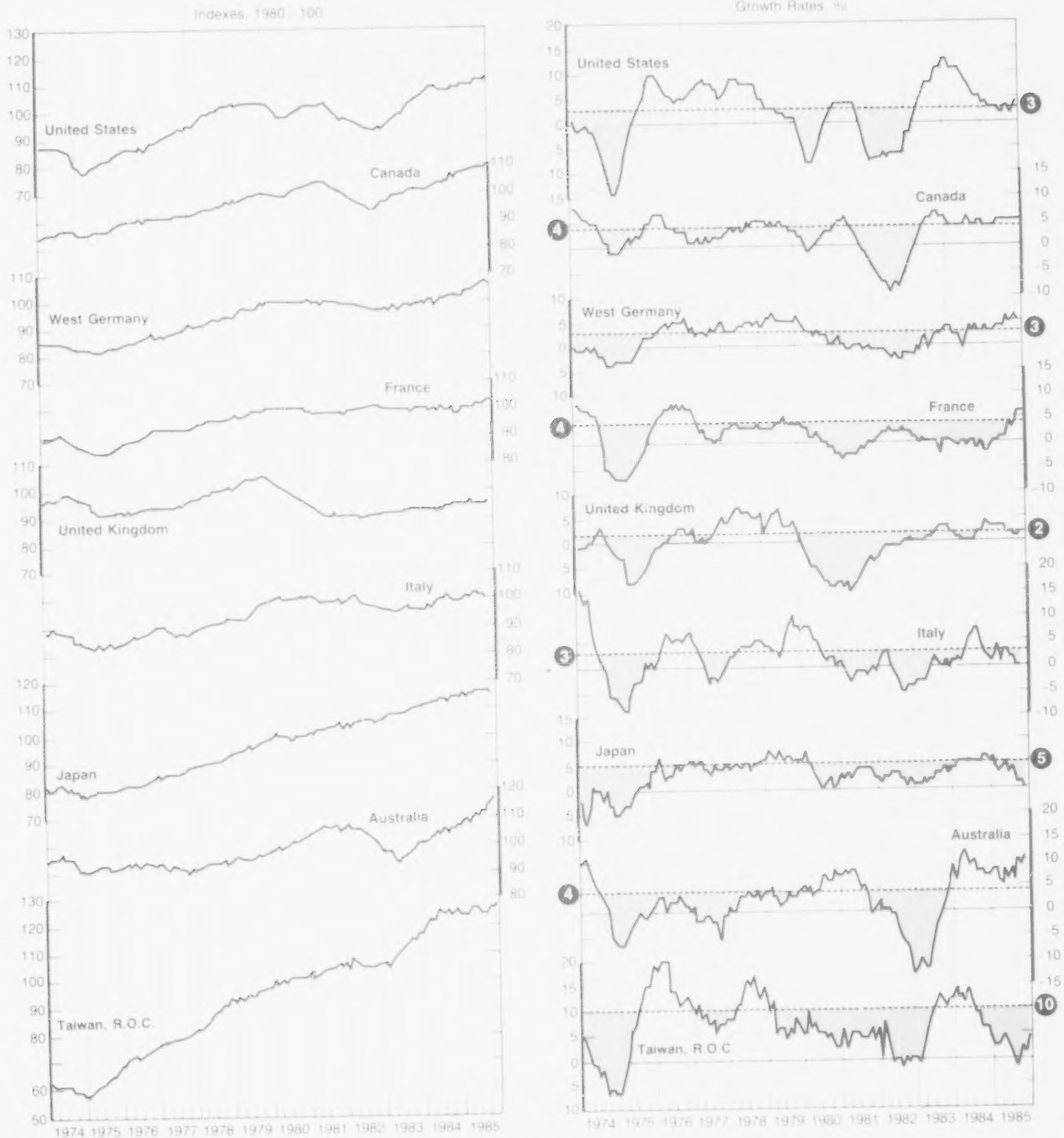
Where We Are

Indexes of Economic Performance

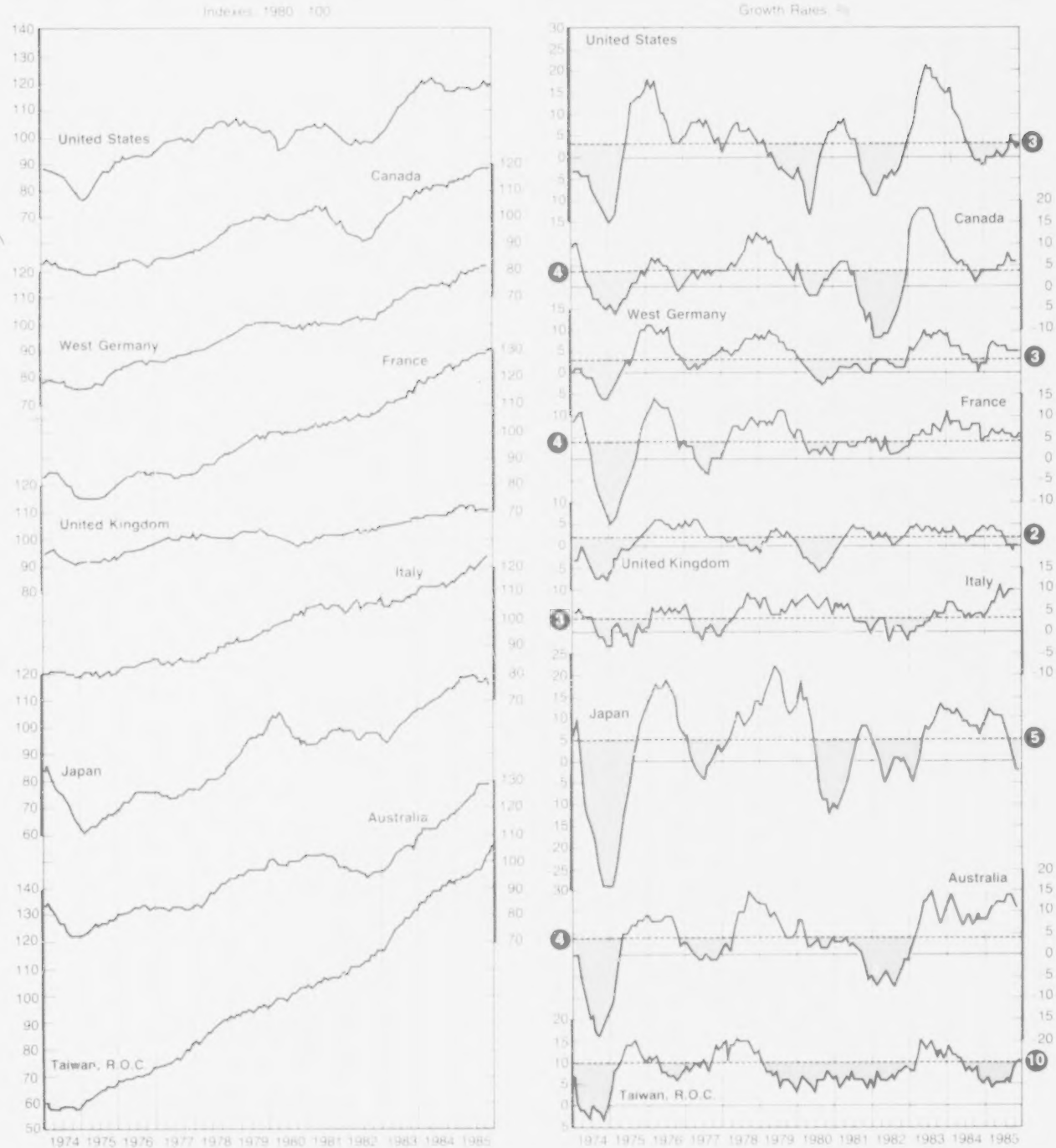


Note: Horizontal dashed lines are average growth rates for 1964-79 in the index and for 1965-1984 in the growth rates.

Sources: CIBCR and The Conference Board.

Where We're Headed

Leading Business Cycle Indexes



Note: Horizontal dashed lines are average growth rates for 1969-79 of the index and of real GNP.
Sources: CIBCR and The Conference Board

PROSPECTS FOR EXPORT GROWTH IN DEVELOPING COUNTRIES: SLUGGISH AGAIN IN 1986

The leading indexes for the nine industrial countries covered in the *Scoreboard* have a good record in disclosing the close ties among these countries and pointing where they are headed. Foreign trade plays a vital role in this process of the international transmission of business cycles, including trade with the *developing* countries. In this issue, we show how the leading indexes for the industrial nations cast light on emerging economic movements in the less developed countries.

Latin American, Asian, and African nations derive their foreign exchange mainly from exports to the industrial countries, and thus exports are a significant ingredient in their economic growth. In addition to the fact that economic growth in these poorer countries is vital to the well being of their people, it is also of special importance to the developed world because of the sharp growth of LDC debt in the 1970s and early 1980s. Major defaults on these debt obligations could inflict serious damage to financial institutions in the United States and Western Europe.

How do the *Scoreboard's* leading indexes for the *industrial* economies provide advance information about economic movements in the developing world? The relationship runs as follows: (1) The leading indexes signal impending movements in output and income in the industrial countries. (2) These movements in aggregate activity affect the demand for imports into the industrial countries, which translates directly into the demand for exports by the developing countries. (3) Thus the leading indexes of the industrial countries which move in advance of changes in their output, income, and imports, provide signals of prospective movements in the volume of the developing countries' exports.

The charts on the next page show how this relationship has worked out in recent years. In the top chart the growth rate in the total volume (quantity) of exports of the developing market economies is compared with the growth rate in the nine-country leading index. Even though the exports go to all countries—not just the nine industrial countries for which we have leading indicators—there is a distinct tendency for the two curves to move together. The second chart quantifies the relationship and uses the leading index growth rate as of December of each year to forecast the year-ahead change in exports. Although the forecasts are not without error, the results in most years are sufficiently close to give some guidance on whether the developing countries are likely to benefit from rapid growth in exports or suffer a decline.

For 1985, where we have export data only through the first quarter, the leading index forecasts a small decline for the year as a whole. For 1986, the most recent growth rate in the leading index (November 1985) suggests another year of sluggish export demand for the developing countries.

By concentrating on what the leading indexes have to say about this subject, we do not mean to imply that other factors can safely be ignored. Changes in exchange rates, tariffs and other barriers or incentives to trade, supply conditions and pricing policies are always important, and on occasion may be decisive. But the business cycle of the industrial nations, as reflected in the leading indexes, is significant, too, and appears capable of making a contribution to our economic intelligence in appraising trade prospects in the developing countries.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board*, April 1980 and *Business Cycles, Inflation and Forecasting*, Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212 280 2916

Growth Rates
Developing Country Exports vs. Industrial Country Index

Forecast and Actual Year-to-Year Changes in Export Volume, Developing Market Economies

Source: United Nations, Center for International Economics, and Pinkerton

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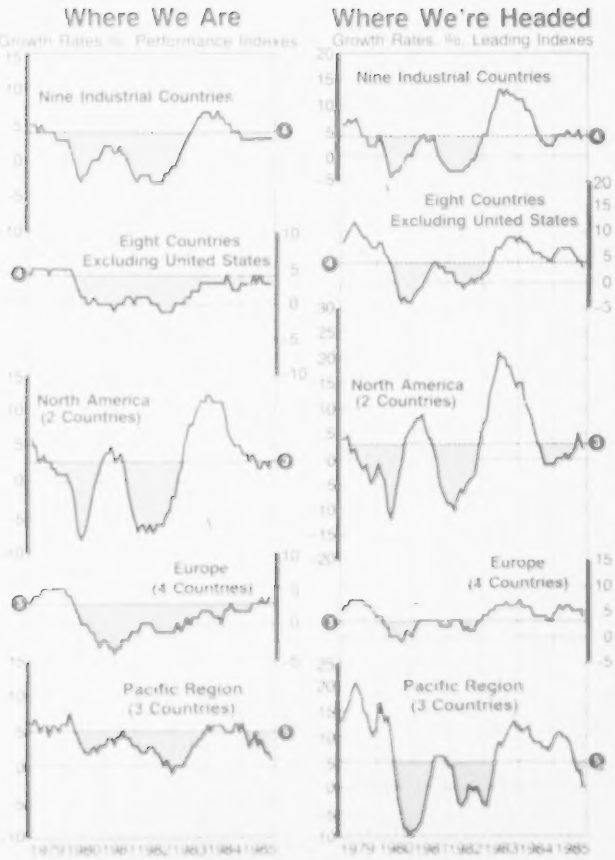
INDEXES, NINE COUNTRIES, 1984-85

		U.S		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead
Aug.	84	108	116	104	112	101	116	100	122	100	113	93	109	112	111	104	115	124	141
Sept.	84	108	116	104	112	101	115	100	123	101	112	94	109	113	112	106	115	123	141
Oct.	84	108	117	105	111	102	115	99	123	100	113	94	110	114	112	106	116	124	143
Nov.	84	108	117	105	112	102	114	99	124	99	114	95	110	114	113	107	117	125	142
Dec.	84	109	117	106	113	102	116	99	123	99	114	96	111	114	114	107	118	124	142
Jan.	85	109	117	105	113	102	116	98	124	99	115	95	111	115	116	108	119	124	143
Feb.	85	109	118	106	114	102	119	99	125	100	117	95	112	114	118	109	120	124	143
Mar.	85	110	118	106	114	102	120	100	126	101	117	95	112	116	118	108	122	125	144
Apr.	85	110	118	107	115	103	119	100	126	100	118	95	111	115	119	109	123	126	144
May	85	110	118	107	115	104	120	100	127	101	120	96	112	116	120	111	124	126	145
June	85	110	117	108	116	104	120	100	128	102	119	95	112	116	119	110	126	125	146
July	85	110	118	108	117	105	121	101	129	102	120	95	110	116	119	112	128	124	147
Aug.	85	111	119	109	118	105	121	101	129	101	122	95	111	116	117	112	129	124	147
Sept.	85	111	121	109	119	106	121	101	129	101	123	95	111	116	117	114	129	124	150
Oct.	85	111	120	109	119	107	122	102	130	100	124	95	111	116	118	115	129	126	152
Nov.	85	111	119	110	119	106	122	103	130			96	111	115	116	117	129	126	153
Dec.	85	112	120					103	131	4								127	156
		Growth Rates, Percent																	
Aug.	84	8	2	5	5	4	4	0	5	2	4	10	2	4	5	8	9	9	9
Sept.	84	6	1	4	4	5	2	0	6	7	1	2	2	4	6	8	7	6	8
Oct.	84	5	-1	3	1	3	0	1	7	3	4	2	3	5	6	7	9	6	9
Nov.	84	6	-1	3	3	5	-1	1	7	1	4	3	3	5	6	7	8	6	6
Dec.	84	5	0	3	1	3	-2	0	5	0	2	3	4	4	5	6	7	4	5
Jan.	85	3	-2	2	1	3	-2	0	5	1	3	3	3	6	10	8	8	2	6
Feb.	85	4	0	4	4	5	4	2	5	2	5	5	4	4	12	8	10	2	5
Mar.	85	5	0	3	3	3	1	0	7	3	5	3	4	3	11	6	11	3	4
Apr.	85	4	0	4	4	4	3	0	6	1	6	3	3	3	10	5	12	4	5
May	85	3	0	3	3	4	3	1	6	3	11	3	3	3	10	8	12	3	5
June	85	3	-1	3	3	4	3	1	5	3	8	3	3	3	8	6	13	1	5
July	85	2	-1	3	3	5	3	2	5	3	8	3	0	3	6	8	14	0	6
Aug.	85	3	0	3	3	5	3	4	6	2	9	2	0	3	3	6	14	-2	6
Sept.	85	3	0	3	3	5	3	4	6	2	9	2	0	3	1	10	12	-1	8
Oct.	85	2	0	3	4	5	3	4	6	0	10	1	0	1	2	9	10	2	9
Nov.	85	3	-1	3	3	5	3	5	6			2	0	0	2	11	8	1	10
Dec.	85	3	-1					5	6									4	12
		Ten-Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	3	3	3	2	2	3	3	4	4	10	10

		9 Countries		8 Countries Ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead	Perf.	Lead
Aug.	84	106	116	104	114	107	117	99	115	112	112
Sept.	84	106	116	104	114	108	117	99	115	112	113
Oct.	84	106	116	104	115	108	116	99	116	113	114
Nov.	84	106	116	104	115	108	117	99	116	114	114
Dec.	84	106	116	104	116	109	116	99	116	114	116
Jan.	85	106	117	103	117	109	117	99	117	115	117
Feb.	85	107	118	105	118	109	117	99	118	114	119
Mar.	85	107	118	105	118	109	117	100	119	114	119
Apr.	85	107	119	106	119	110	117	100	119	115	120
May	85	108	119	106	120	110	118	100	120	116	121
June	85	108	119	106	120	109	117	100	120	116	121
July	85	108	119	107	120	110	118	101	120	116	121
Aug.	85	108	120	107	120	110	119	101	121	116	120
Sept.	85	108	121	107	120	111	120	101	121	116	119
Oct.	85	108	120	107	121	111	120	102	122	116	120
Nov.	85	109	120	108	121	111	119	102	122	116	119
		Growth Rates, Percent									
Aug.	84	5	4	3	6	7	3	3	4	5	8
Sept.	84	5	3	4	5	8	1	3	4	5	8
Oct.	84	3	2	4	5	8	-1	2	4	6	8
Nov.	84	4	2	4	4	8	-1	2	3	6	7
Dec.	84	4	2	3	3	6	-1	2	3	5	8
Jan.	85	3	2	3	6	4	-1	2	3	6	10
Feb.	85	3	3	3	5	3	0	2	5	4	11
Mar.	85	3	4	3	5	3	0	2	5	3	11
Apr.	85	3	3	3	5	3	0	2	3	4	10
May	85	3	5	4	5	3	2	3	5	5	10
June	85	3	4	3	5	3	0	3	5	3	9
July	85	3	4	4	6	2	1	4	5	4	7
Aug.	85	3	4	3	5	3	2	3	5	3	4
Sept.	85	3	5	3	4	3	2	3	3	3	3
Oct.	85	3	4	3	4	3	3	3	5	3	3
Nov.	85	3	3	3	3	3	2	3	4	3	0
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5


Where We Are
Growth Rates vs. Performance Indexes
Where We're Headed
Growth Rates vs. Leading Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985

Year-to-year dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: OECD and The Conference Board

A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-6

MARCH, 1986

SUMMARY

The industrial world is still firmly on the economic upgrade, but there is now more diversity among individual countries than has been seen in some time. The most noticeable weakness is in Japan, where both the leading and performance indexes continue to show that economic expansion has basically stopped. The leading index has moved down since May, and the performance index has leveled off. Growth rates in both Japanese indexes since August have been substantially below the 5 percent long-term trend rate, thereby complying with the usual definition of a growth recession.

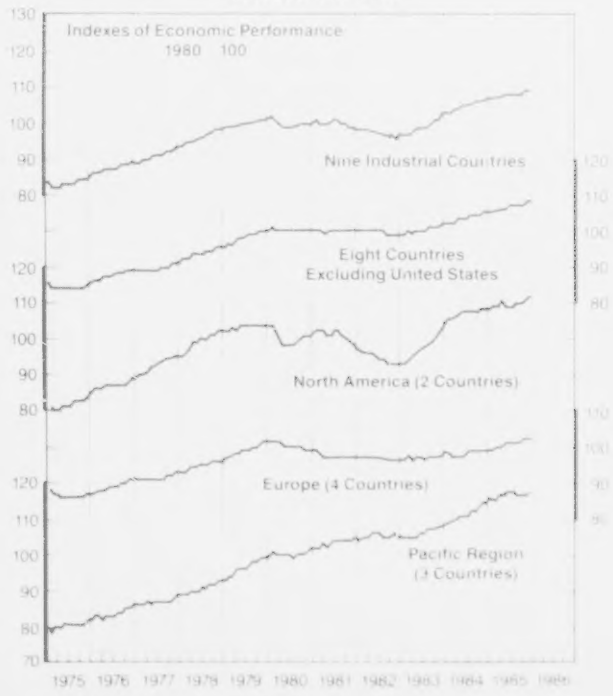
Elsewhere in the Pacific region we now see a much slower advance in Australia's leading index, although the gain in its performance index continues to outdistance the other eight countries. In Taiwan, R.O.C., revival from the earlier slump is proceeding smartly.

The European scene also is mixed, with moderate strength in West Germany and France but sluggishness in the United Kingdom and Italy, although Italy's leading index suggests better times ahead. Canada's indicators show that its vigorous expansion is continuing. The U.S. expansion also is continuing, but its vigor has yet to reach the standard being set by Wall Street.

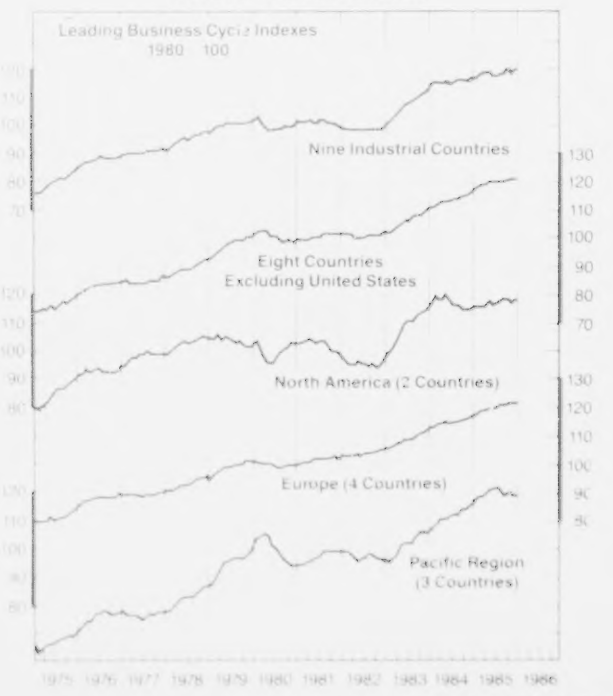
	Ten-year Growth Rate 1969-79	*Indexes of Economic Performance Growth Rates**			*Leading Business Cycle Indexes Growth Rates**			*Current Heading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
	annual rates, percent								
9 countries	4	3	3	3	4	4	2	Expansion continuing	Dec.
8 countries ex. U.S.	4	3	3	2	7	4	3	Expansion continuing	Dec.
North America (2)	3	2	3	4	0	4	2	Expansion continuing	Dec.
Europe (4)	3	3	3	2	6	5	4	Expansion continuing	Dec.
Pacific Region (3)	5	4	3	2	8	2	–1	Expansion stalling	Dec.
United States	3	2	2	4	1	2	1	Expansion continuing	Jan.
Canada	4	5	5	5	5	7	7	Expansion continuing	Dec.
West Germany	3	4	5	3	6	6	3	Expansion continuing	Dec.
France	4	1	3	4	7	5	4	Expansion continuing	Dec.
United Kingdom	2	3	1	0	2	1	2	Expansion stalling	Dec.
Italy	3	1	3	0	8	8	8	Expansion stalling, leaders strong	Oct./Dec.
Japan	5	4	2	2	8	1	–1	Expansion stalling	Dec.
Australia	4	6	10	8	13	12	4	Expansion continuing	Dec.
Taiwan, R.O.C.	10	–1	2	4	6	10	9	Expansion reviving	Jan.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are


Indexes of Economic Performance
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

Where We're Headed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1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

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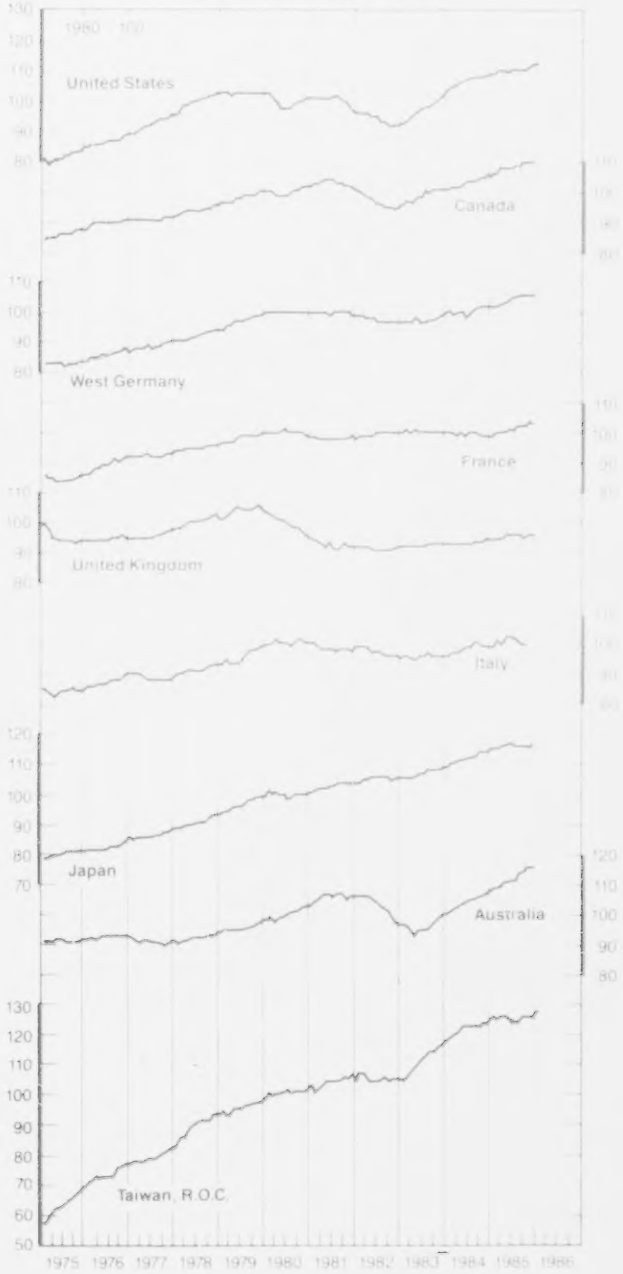
70th Anniversary

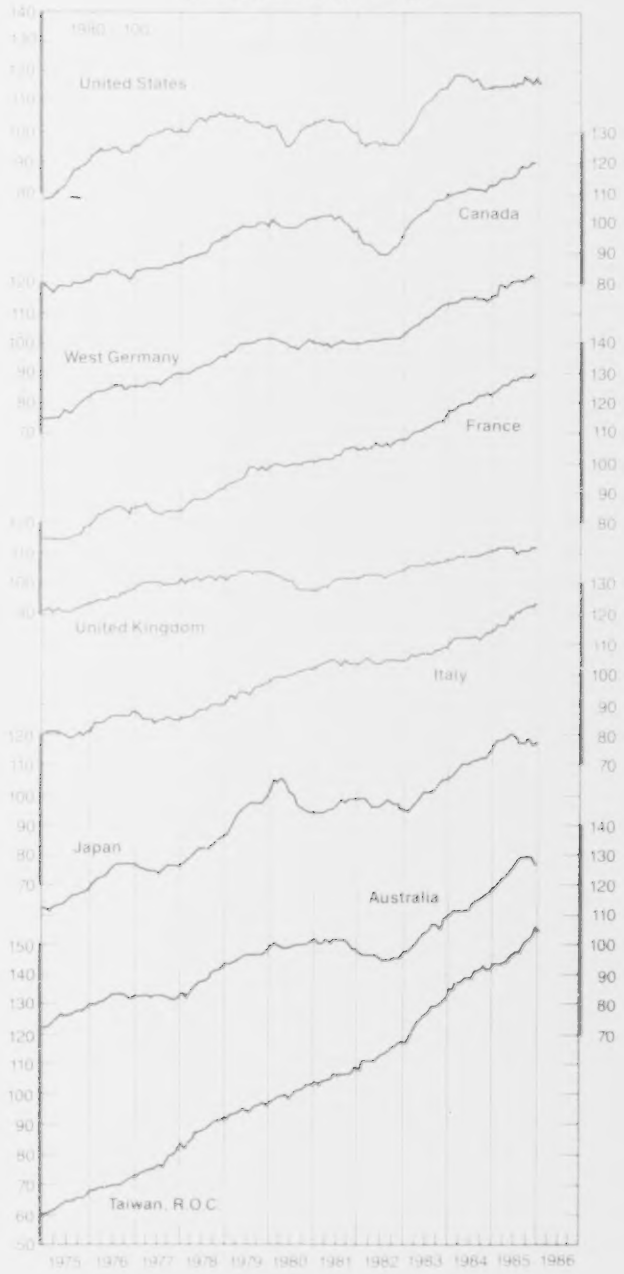
Where We Are

Indexes of Economic Performance



Where We're Headed

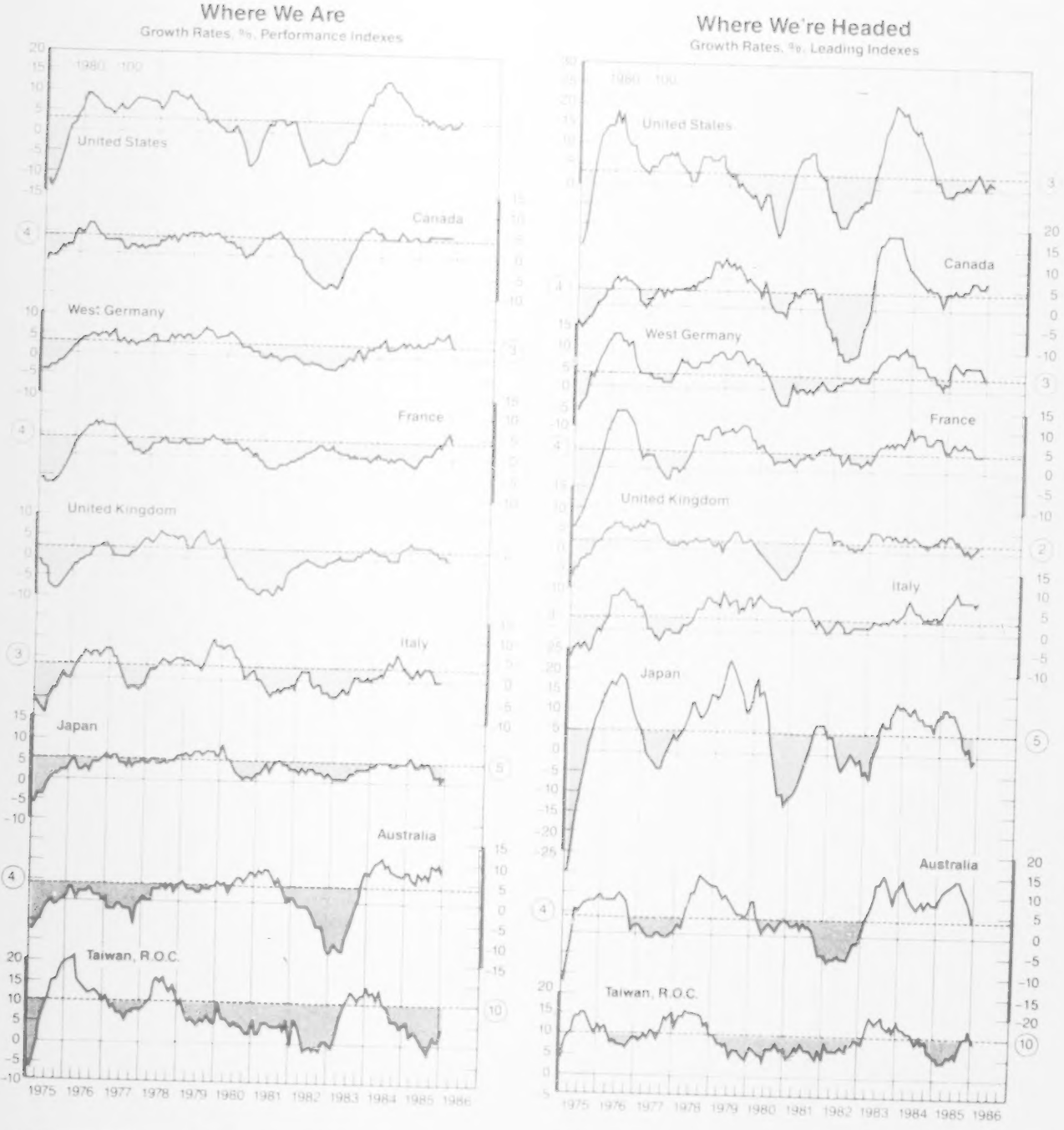
Leading Business Cycle Indexes



Sources: CIBCR and The Conference Board

To readers of International Economic Scoreboard:

The tables in the February 1986 issue contained two printing errors. On the first page, the table headings were switched, so that the Economic Performance Growth Rates figures were on the right side under the heading for the Leading Business Indexes Growth Rates, and vice-versa on the left side. On the back page, the Indexes and Growth Rates under the heading, UK, are actually those for Italy, and those under Italy are actually those for UK. We sincerely regret any inconvenience this may have caused.



Note: Horizontal dashed are average rates for 1969-79 in the index and for Real GNP.

Sources: CIBCR and The Conference Board

The Conference Board of Canada
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Ottawa, Ontario, K1H 8M7 Canada

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845 Third Avenue
New York, New York 10022

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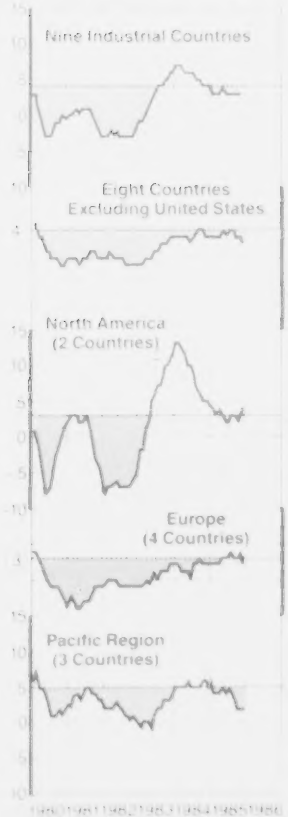
INDEXES, NINE COUNTRIES, 1984-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
								Indexes, 1980 = 100											
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Dec.	84	109	115	106	113	102	116	99	123	95	111	99	114	114	114	107	118	125	143
Jan.	85	109	116	105	113	102	116	99	124	95	111	99	115	115	116	108	119	126	144
Feb.	85	109	116	106	114	102	119	99	125	95	112	100	116	115	118	109	120	127	144
Mar.	85	109	116	106	115	102	119	100	126	95	112	101	117	115	118	108	122	125	144
Apr.	85	110	116	107	115	103	119	100	127	95	112	100	118	116	119	109	123	126	145
May	85	110	117	108	115	104	120	100	127	96	112	101	120	117	120	111	124	126	146
June	85	109	116	108	116	104	120	100	129	96	112	102	119	116	119	110	126	125	147
July	85	110	117	108	117	105	121	101	129	96	110	102	120	117	119	112	128	125	148
Aug.	85	110	117	109	118	105	121	102	130	96	111	101	121	117	117	112	129	124	148
Sept.	85	110	119	109	118	106	122	102	129	96	111	100	122	116	117	114	129	124	151
Oct.	85	110	118	110	119	106	122	102	129	96	111	100	123	116	118	115	129	126	152
Nov.	85	111	116	110	120	106	123	104	129	96	112		122	116	116	116	129	126	153
Dec.	85	112	118	110	120	106	122	103	130	96	112		124	117	117	116	127	126	156
Jan.	86	112	117															128	155
								Growth Rates, Percent											
Dec.	84	5	2	5	4	-1	2	-2	5	-4	4	2	3	5	9	7	8	4	6
Jan.	85	4	-2	4	4	4	3	-2	5	3	3	1	4	6	10	8	8	5	5
Feb.	85	4	-1	4	5	3	6	-3	5	3	4	2	7	4	11	8	10	6	5
Mar.	85	3	0	5	4	3	*	0	7	3	4	4	7	4	11	6	11	2	4
Apr.	85	4	0	5	4	4	5	1	6	3	3	1	6	4	10	5	12	3	5
May	85	4	1	6	5	4	5	1	6	3	3	3	11	5	10	8	12	2	5
June	85	2	0	5	5	4	6	1	7	3	2	3	8	4	8	6	13	1	5
July	85	2	1	5	6	6	6	3	6	2	0	3	8	5	6	8	14	-1	6
Aug.	85	3	0	5	7	5	6	3	6	2	1	2	9	4	7	6	14	-2	5
Sept.	85	1	4	5	7	5	6	3	5	1	1	0	8	2	1	10	12	-1	8
Oct.	85	2	2	5	6	6	6	5	4	1	0	0	8	2	2	9	10	2	10
Nov.	85	2	0	5	6	5	6	7	4	*	*		7	1	-2	10	8	1	10
Dec.	85	3	2	6	7	3	3	4	4	0	2		8	2	1	8	4	1	12
Jan.	86	4	1															4	9
								Two-Year Annual Growth Rate, Percent											
1969-79		3	3	4	4	3	3	3	4	3	3	2	2	5	5	4	4	10	10

		8 Countries		6 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
						Indexes, 1980 = 100					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Dec.	84	106	116	104	116	108	118	99	118	114	116
Jan.	85	106	116	105	117	108	116	99	117	115	117
Feb.	85	107	117	105	118	109	116	99	116	114	119
Mar.	85	107	118	105	119	109	116	100	116	114	119
Apr.	85	107	118	106	119	110	116	100	119	115	120
May	85	108	119	106	120	109	117	100	120	116	121
June	85	108	118	106	120	109	116	100	120	116	121
July	85	108	119	107	120	109	117	101	120	117	121
Aug.	85	108	119	107	120	110	117	101	121	117	120
Sept.	85	108	120	107	120	110	119	101	121	116	119
Oct.	85	108	120	107	121	110	118	102	122	116	120
Nov.	85	109	119	108	121	111	117	102	122	116	119
Dec.	85	109	120	108	121	112	118	102	122	117	119
						Growth Rates, Percent					
Dec.	84	4	2	3	5	5	2	2	3	5	8
Jan.	85	4	3	3	6	4	1	2	4	6	10
Feb.	85	3	4	3	7	4	0	2	5	4	11
Mar.	85	3	4	3	7	3	0	2	6	4	10
Apr.	85	3	4	3	7	4	0	2	5	4	10
May	85	4	5	4	7	3	1	3	6	5	10
June	85	3	4	3	7	2	0	3	6	4	8
July	85	3	4	4	8	2	2	4	5	5	7
Aug.	85	3	4	4	5	3	2	3	5	4	4
Sept.	85	3	4	3	4	3	4	3	5	3	2
Oct.	85	3	3	3	4	2	2	3	4	2	3
Nov.	85	3	2	3	3	3	0	4	4	2	0
Dec.	85	3	2	2	3	4	2	2	4	2	-1
						Two-Year Annual Growth Rate, Percent					
1969-79		4	4	4	4	3	3	3	3	5	5

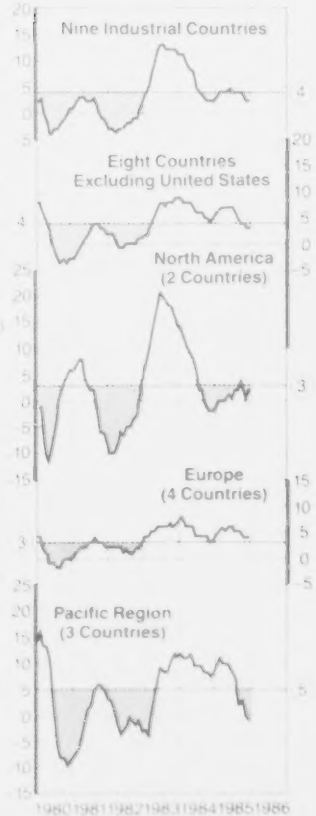
Where We Are

Growth Rates vs. Performing Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates vs. Leading Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Note: Horizontal scales are average growth rates for each of the index and in real GNP.

Sources: OECD and The Conference Board

A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

K4105-6A

APRIL, 1986

SUMMARY

The economic performance indexes for the major industrial countries are recording steady expansion, and the leading indexes are projecting further advances for the months ahead. There is only one exception to this pattern, Italy, where the leading index has been moving up strongly but the measures of economic performance are simply marking time.

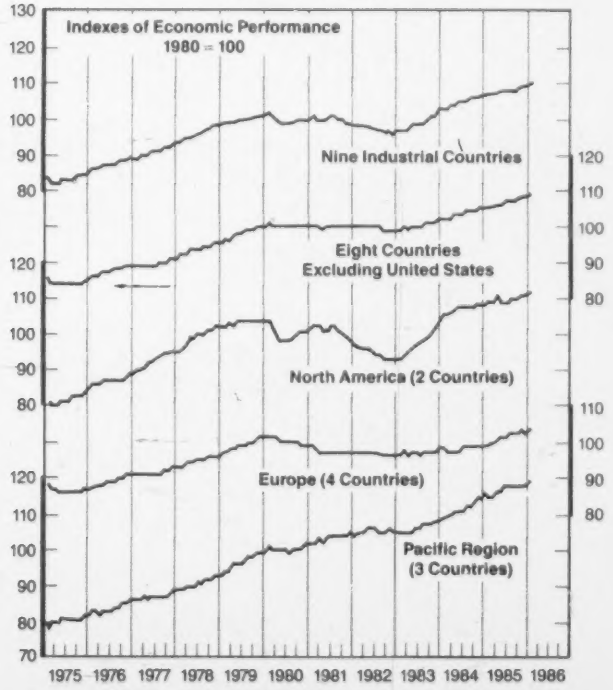
Elsewhere in Europe the situation in the United Kingdom begins to look more promising, while in West Germany and France the indexes maintain healthy growth trends in the 3-5 percent range. In the Pacific region, Japan's indexes have strengthened moderately after a period of hesitancy. (For more on Japan's business cycle, see the article and charts on page 4 and 5.) Australia's performance index continues to advance at a record pace, while its leading index suggests a somewhat slower pace of growth ahead. Economic recovery in Taiwan, R.O.C., has moved into high gear. In North America, Canada's brisk economic expansion persists, while in the United States a promising advance in the leaders suggests that the economy will soon break out of its sluggish pattern.

For the nine countries as a group 4 percent growth is where we are, as well as where we're headed. No boom, but all the more welcome for that reason. For the moment at least, a discouraging word is hard to find.

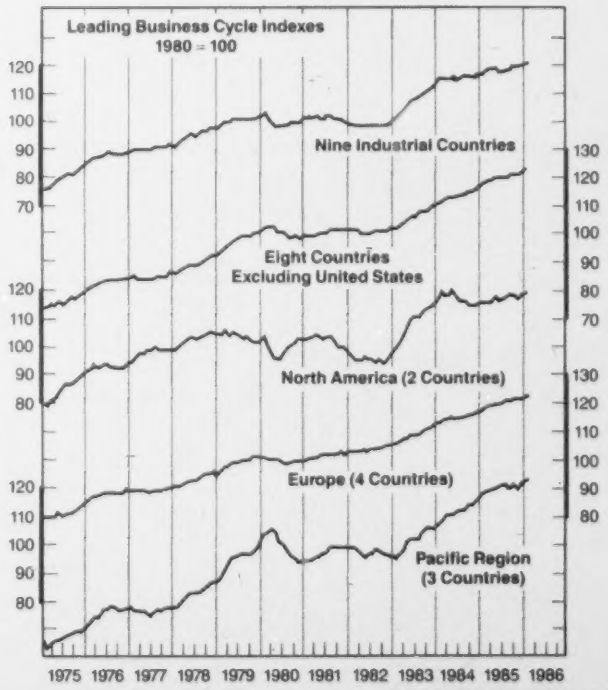
	Ten-year Growth Rate 1969-79	*Indexes of Economic Performance Growth Rates**			*Leading Business Cycle Indexes Growth Rates**			*Current Reading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
	annual rates, percent								
9 countries	4	3	3	4	4	4	4	Expansion continuing	Jan.
8 countries ex. U.S.	4	4	3	4	6	5	4	Expansion continuing	Jan.
North America (2)	3	2	2	3	1	3	3	Expansion continuing	Jan.
Europe (4)	3	4	3	3	5	5	4	Expansion continuing	Jan.
Pacific Region (3)	5	5	3	5	7	5	4	Expansion continuing	Jan.
United States	3	3	2	2	2	1	4	Expansion continuing	Feb.
Canada	4	5	5	5	5	6	5	Expansion continuing	Jan.
West Germany	3	6	5	5	6	6	3	Expansion continuing	Jan.
France	4	3	5	4	7	5	4	Expansion continuing	Jan./Dec.
United Kingdom	2	2	2	1	0	0	4	Expansion stalling	Jan.
Italy	3	1	3	0	8	8	7	Expansion stalling, leaders strong	Oct./Dec.
Japan	5	5	3	4	6	4	4	Expansion continuing	Jan.
Australia	4	7	8	10	15	8	3	Expansion continuing	Jan.
Taiwan, R.O.C.	10	-2	1	7	5	10	13	Expansion reviving	Feb.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are


Indexes of Economic Performance
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

Where We're Headed


Leading Business Cycle Indexes
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

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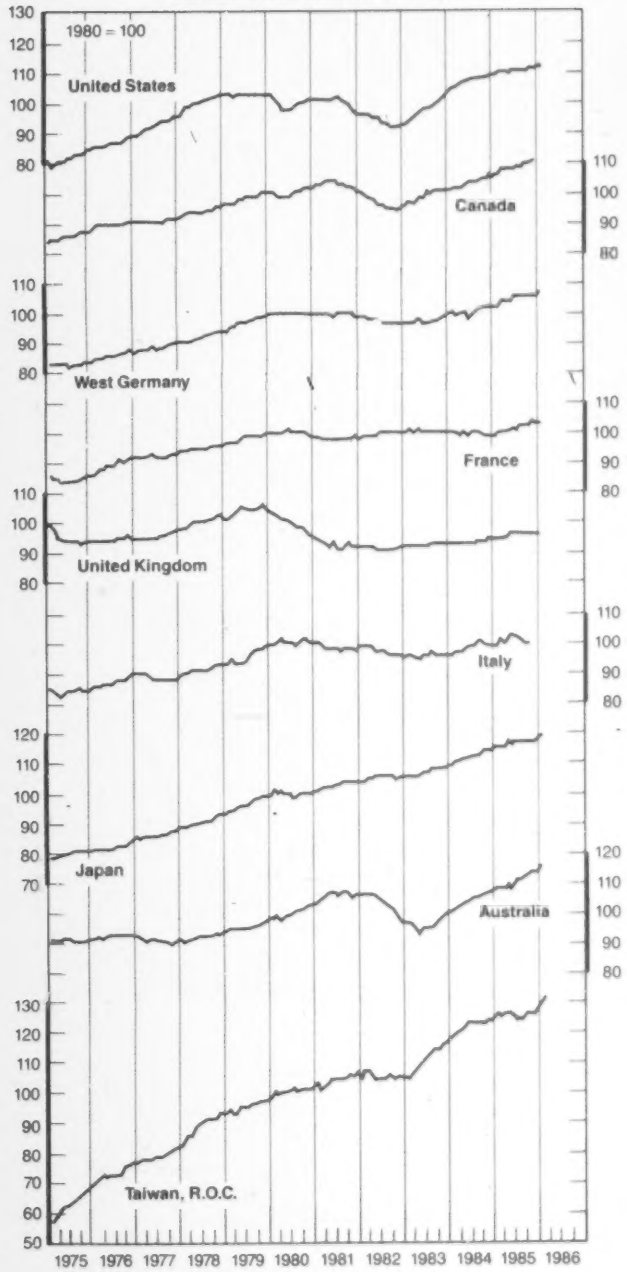
70th Anniversary

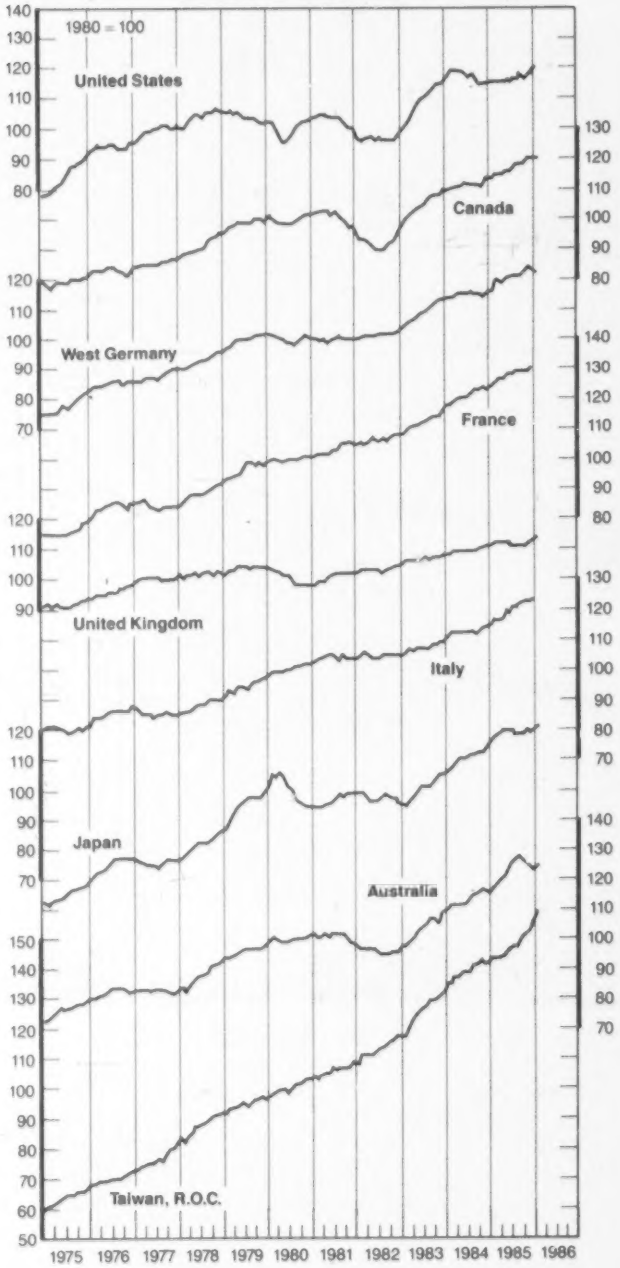
Where We Are

Indexes of Economic Performance



Where We're Headed

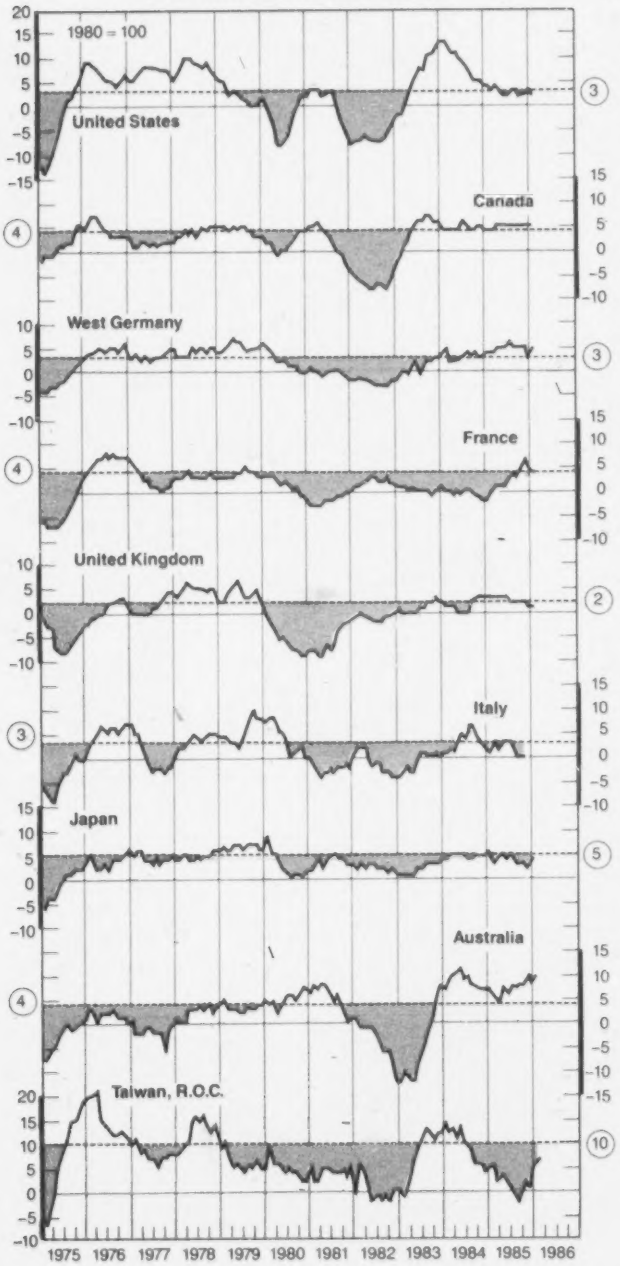
Leading Business Cycle Indexes



Sources: CIBCR and The Conference Board.

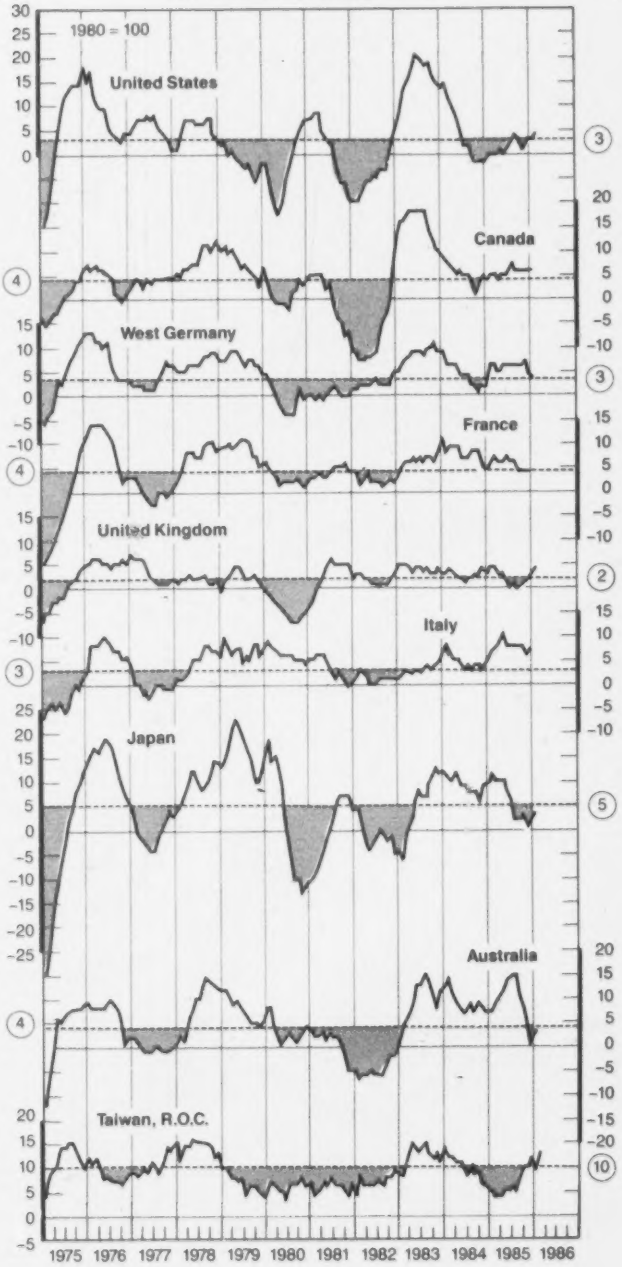
Where We Are

Growth Rates, %, Performance Indexes



Where We're Headed

Growth Rates, %, Leading Indexes



Note: Horizontal dashed lines are average rates for 1969-79 in the index and in Real GNP

Sources: CIBCR and The Conference Board

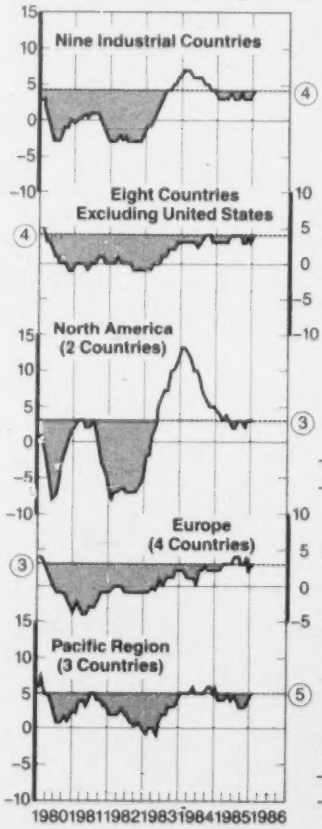
INDEXES, NINE COUNTRIES, 1984-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	109	116	105	114	102	116	99	124	95	111	99	115	115	116	107	117	126	144
Feb.	85	109	116	106	114	102	119	99	125	95	112	100	116	115	117	108	118	127	144
Mar.	85	109	116	106	115	103	119	100	126	95	112	101	117	115	118	108	120	125	144
Apr.	85	110	116	107	115	104	119	100	127	95	112	100	118	115	119	108	121	126	145
May	85	110	117	108	116	104	120	100	127	96	112	101	120	117	119	110	123	126	146
June	85	109	116	108	116	104	120	100	129	96	112	102	119	116	119	109	125	125	147
July	85	110	117	108	117	106	121	101	129	96	111	102	120	117	119	111	127	125	148
Aug.	85	110	117	109	118	106	121	102	130	96	111	101	121	117	118	111	128	124	148
Sept.	85	110	119	109	118	106	122	102	129	96	111	100	122	117	118	112	127	124	151
Oct.	85	110	118	110	119	106	123	102	129	96	111	100	122	117	120	113	126	126	152
Nov.	85	111	117	110	120	106	124	104	129	96	112		122	117	119	114	125	126	153
Dec.	85	111	118	110	120	106	123	103	130	96	113		123	118	120	114	124	127	156
Jan.	86	112	119	111	120	107	122	103		96	114			119	121	116	125	130	156
Feb.	86	111	120															131	159
		Growth Rates, Percent																	
Jan.	85	4	–2	4	4	4	3	–2	5	3	3	1	4	6	10	7	7	5	5
Feb.	85	4	–1	4	5	4	6	–1	5	3	4	2	7	4	11	6	8	6	5
Mar.	85	3	0	4	5	4	6	0	7	3	4	4	7	3	10	5	10	2	4
Apr.	85	4	0	5	4	5	5	1	6	3	3	1	8	4	10	4	11	3	5
May	85	3	1	5	5	5	5	1	6	3	3	3	11	5	10	7	12	2	5
June	85	2	0	5	5	5	6	1	7	3	2	3	8	4	8	6	14	1	5
July	85	2	1	5	5	6	6	3	6	2	0	3	8	5	6	7	15	–1	6
Aug.	85	3	2	5	7	5	6	4	6	2	1	2	8	4	3	7	15	–2	5
Sept.	85	3	4	5	6	5	6	3	5	2	0	0	8	3	3	8	11	–1	8
Oct.	85	2	3	5	6	5	6	5	4	2	0	0	8	3	4	8	8	2	10
Nov.	85	2	1	5	6	5	7	7	4	2	1		6	2	2	10	4	1	10
Dec.	85	3	3	5	6	3	4	4	4	1	2		7	3	3	8	1	2	12
Jan.	86	3	3	5	5	5	3	4		1	4			4	4	10	3	6	10
Feb.	86	2	4															7	13
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	106	116	105	117	108	116	99	117	115	117
Feb.	85	107	117	105	118	109	116	99	118	114	118
Mar.	85	107	118	105	119	109	116	100	119	114	119
Apr.	85	107	118	106	119	110	116	100	119	115	120
May	85	108	119	106	120	109	117	101	120	116	120
June	85	108	118	106	120	109	116	101	120	116	121
July	85	108	119	107	120	109	117	101	120	117	121
Aug.	85	108	119	107	120	110	117	102	121	117	120
Sept.	85	108	120	107	121	110	119	102	121	117	120
Oct.	85	109	120	108	121	110	118	102	122	117	121
Nov.	85	109	120	108	121	111	117	103	122	117	120
Dec.	85	109	120	108	122	111	118	102	122	118	121
Jan.	86	110	121	109	123	112	119	103	123	119	123
		Growth Rates, Percent									
Jan.	85	3	3	3	6	4	–1	2	4	6	9
Feb.	85	3	4	3	7	4	0	2	5	4	10
Mar.	85	3	4	3	7	3	0	3	6	4	10
Apr.	85	3	4	3	7	4	0	3	5	4	10
May	85	4	5	4	7	3	1	3	6	5	10
June	85	3	4	4	7	2	0	3	6	4	9
July	85	3	4	4	6	2	1	4	5	5	7
Aug.	85	4	4	4	5	3	2	4	5	4	5
Sept.	85	3	5	3	5	3	5	3	5	3	4
Oct.	85	3	4	3	5	2	3	3	5	3	5
Nov.	85	3	3	4	4	3	1	4	5	3	3
Dec.	85	3	3	3	4	3	3	2	4	4	3
Jan.	86	4	4	4	4	3	3	3	4	5	4
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

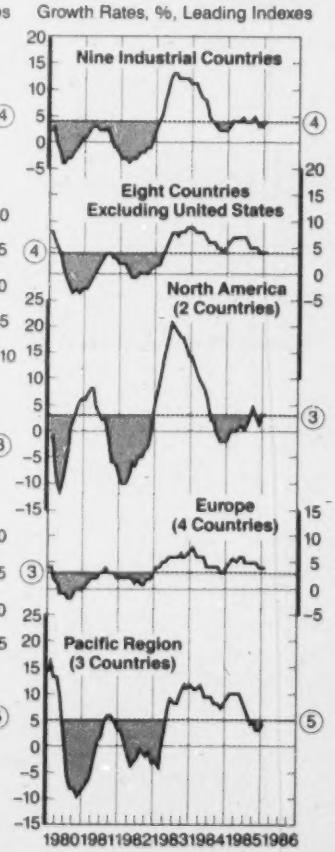
Where We Are

Growth Rates, %, Performing Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates, %, Leading Indexes


Nine Industrial Countries
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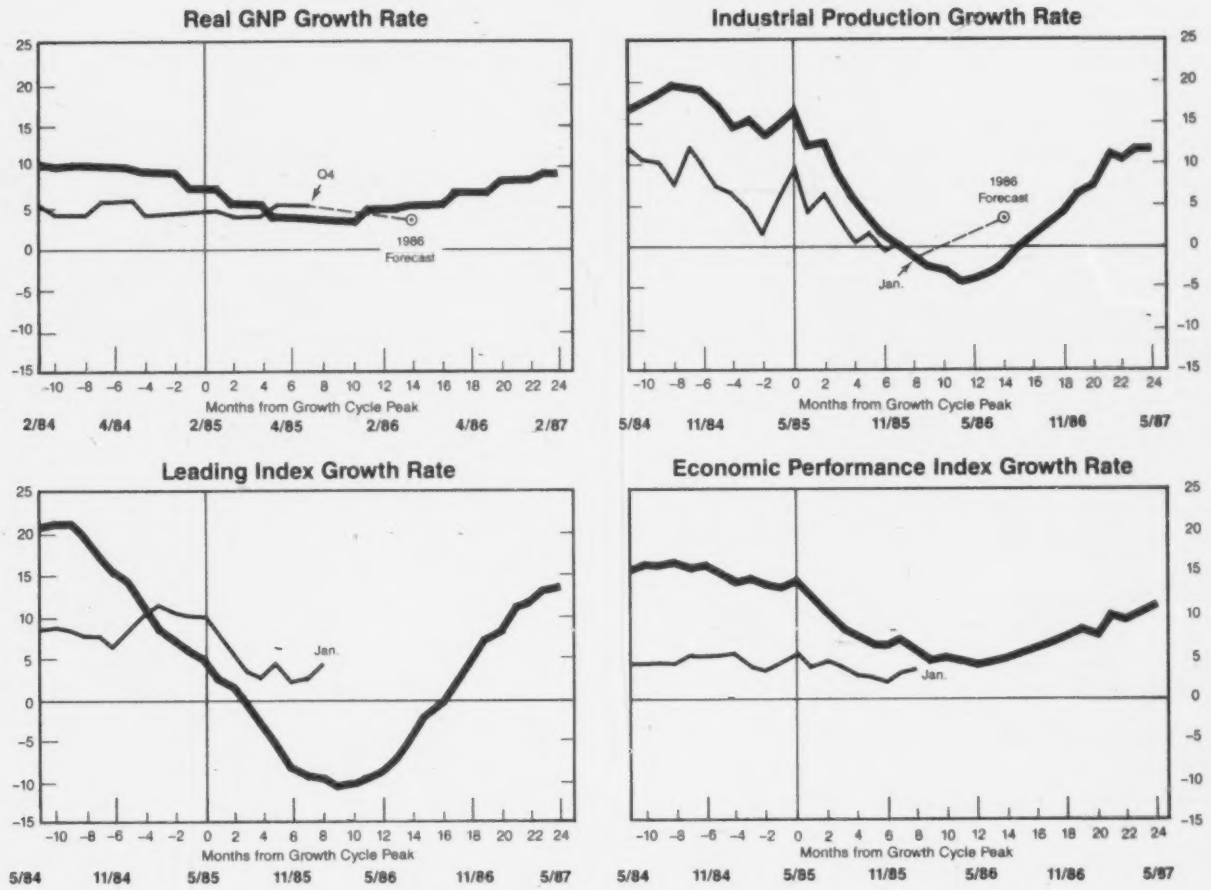
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP
Sources: CIBCR and The Conference Board

Growth Recessions in Japan

Current Slowdown (from May 1985 or 2Q 1985)
Average of 6 Previous Growth Recessions (1957-83)



Source: Center for International Business Cycle Research, Columbia Business School; 1986 consensus forecasts per Worldscan, April 1986.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

HAS JAPAN AVOIDED A GROWTH RECESSION?

Japan experienced six periods of business cycle weakness between 1957 and 1983 and is touching base with its seventh. These episodes of cyclical weakness, which usually last about a year and a half, include both recessions (when economic activity declines significantly) and the more moderate "growth recessions" (when the economy's *growth rate* falls well below its long-run trend rate).

During the first three quarters of 1985, real GNP in Japan increased at a 3½ percent rate, slower than the ten-year average of 4½ percent. The leading index showed slight weakness over the summer months. This evidence suggests that the Japanese economy may have entered a new growth recession. In the fourth quarter, however, GNP growth increased sharply, and our leading and economic performance indexes for Japan recovered in January from their earlier weakness. Industrial production remains soft, nevertheless, and the latest consensus forecast for Japan, as compiled in mid-April by Blue Chip Economic Worldscan, calls for 1986 growth in real GNP to remain at a modest 3.7 percent. The evidence is, therefore, highly ambivalent, and at the moment it is anybody's guess whether 1985 represents a full-fledged growth recession or just a brief hesitation in an ongoing cyclical expansion.

If it is in fact a growth recession, our monthly economic performance index can help to analyze its dimensions. Tentatively, we would place the starting date for the current slowdown at May 1985. The question is, how does the Japanese performance in the period since May compare with previous growth recessions at the same stage. The accompanying charts do this.

The charts show that the current period slowed down much less dramatically than the average of the six previous growth recessions. The rates of growth in industrial production and the economic performance index have already slackened to about the levels reached in the previous recessions, but they started from lower levels too. The leading index growth rate has not declined as sharply as in the average case, and neither has real GNP growth.

Japan's experience in these affairs is not unlike that of other countries. Between 1957 and 1983 the United States had seven episodes of cyclical weakness (recessions or growth recessions) and five of them occurred at about the same time as those in Japan. Usually the U.S. slowdowns started earlier and ended earlier than Japan's. That pattern may be repeating itself now, since the latest U.S. slowdown began in mid-1984, about a year before the slowdown in Japan. Lately the leading indexes of both countries have begun to suggest that once again the two countries may start setting a faster pace. The actions of the central banks in both countries in early March to lower the official discount rates seem calculated to aid this process. But the verdict is not yet in, and meanwhile *Scoreboard* readers are in a good position to see the results as they unfold.

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A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-64

MAY, 1986

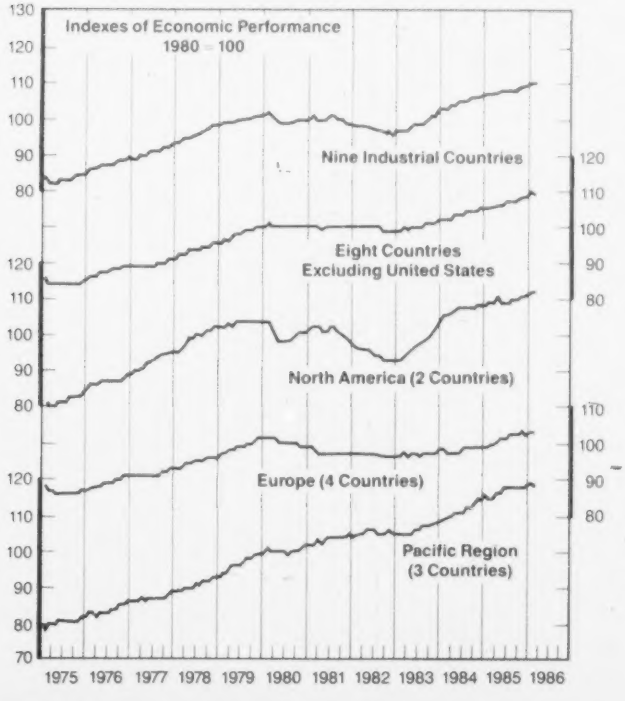
SUMMARY

The world business cycle continues to point toward moderately higher levels of economic activity. There are, however, significant differences among countries in the pace of expansion. Growth rates in the leading indexes for West Germany, the United Kingdom, Japan and Australia have slumped to one percent or less. For the other 5 industrial countries, the latest leading-index growth rates range upward from 5 percent in the United States and France, 7 percent in Canada and Italy, to 13 percent in Taiwan, R.O.C. Taiwan has clearly broken out of its lethargy of the last year; it's economic performance index registered a growth rate of 10 percent in March. Elsewhere the expansion in output, employment and other measures of economic performance is continuing at a modest pace. For the 9 countries as a group, 3 percent growth has prevailed for 9 consecutive months.

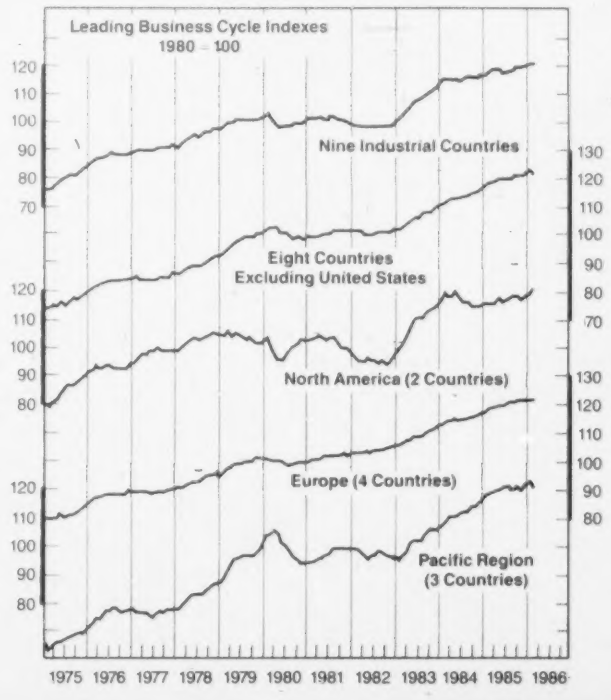
	Ten-year Growth Rate 1969-79	*Indexes of Economic Performance Growth Rates**			*Leading Business Cycle Indexes Growth Rates**			*Current Reading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
	annual rates, percent								
9 countries	4	3	3	3	4	3	4	Expansion continuing	Feb.
8 countries ex. U.S.	4	4	4	4	5	4	2	Expansion continuing	Feb.
North America (2)	3	3	3	3	2	1	6	Expansion continuing	Feb.
Europe (4)	3	4	4	4	5	5	2	Expansion continuing	Feb.
Pacific Region (3)	5	4	3	3	5	3	1	Expansion continuing	Feb.
United States	3	3	3	3	4	4	5	Expansion continuing	Mar.
Canada	4	5	5	5	7	6	7	Expansion continuing	Feb.
West Germany	3	5	5	4	6	7	–2	Expansion continuing	Feb.
France	4	4	6	4	8	5	5	Expansion continuing	Feb./Jan.
United Kingdom	2	2	2	2	1	0	1	Expansion stalling	Feb.
Italy	3	3	1	1	7	6	7	Expansion stalling, leaders strong	Jan.
Japan	5	4	2	3	3	2	1	Expansion continuing	Feb.
Australia	4	7	10	5	15	4	–1	Expansion continuing	Feb.
Taiwan, R.O.C.	10	–1	2	10	8	12	13	Expansion continuing	Mar.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are


Indexes of Economic Performance
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

Where We're Headed


Leading Business Cycle Indexes
1980 = 100
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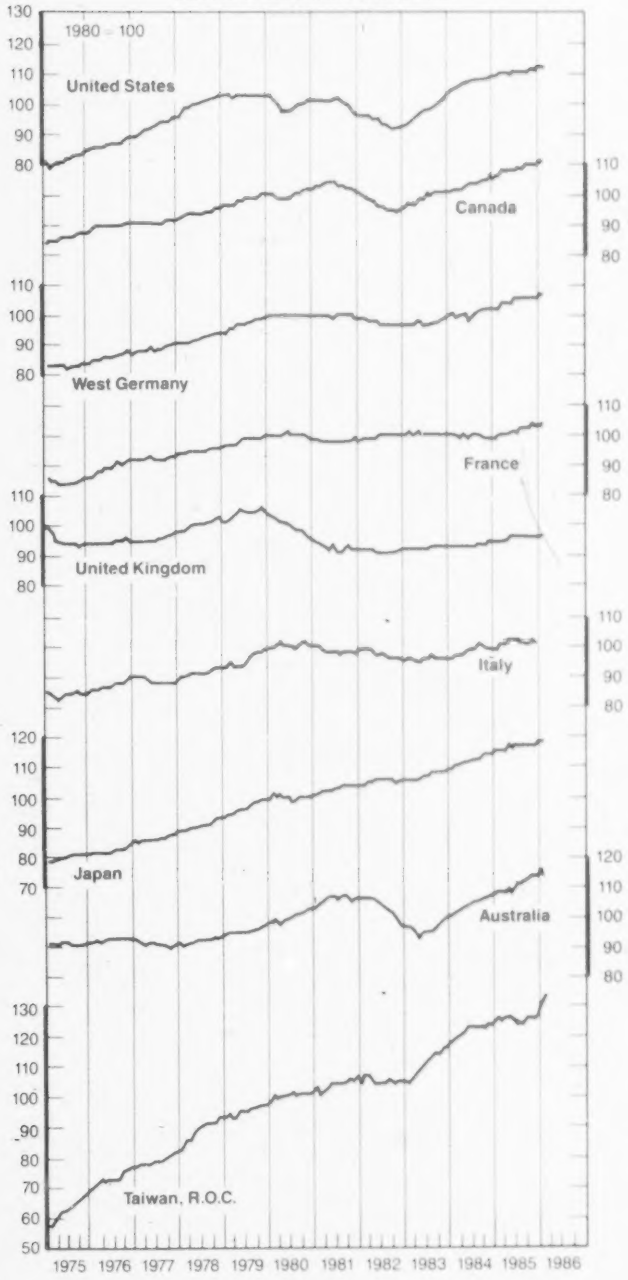
70th Anniversary

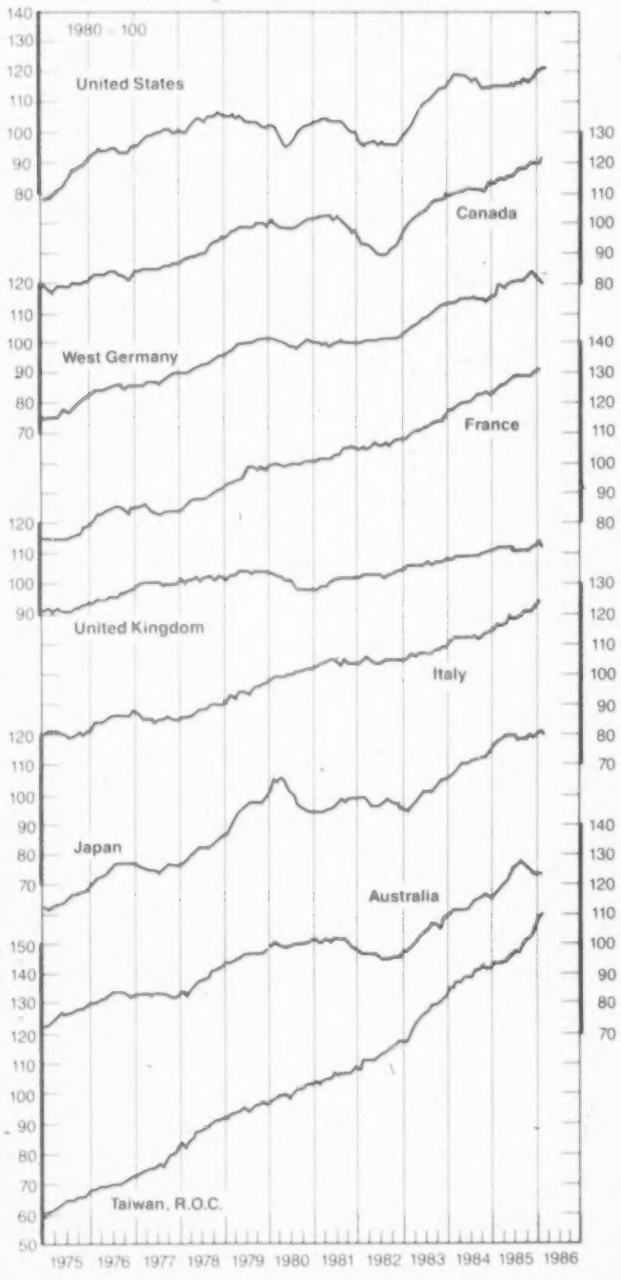
Where We Are

Indexes of Economic Performance



Where We're Headed

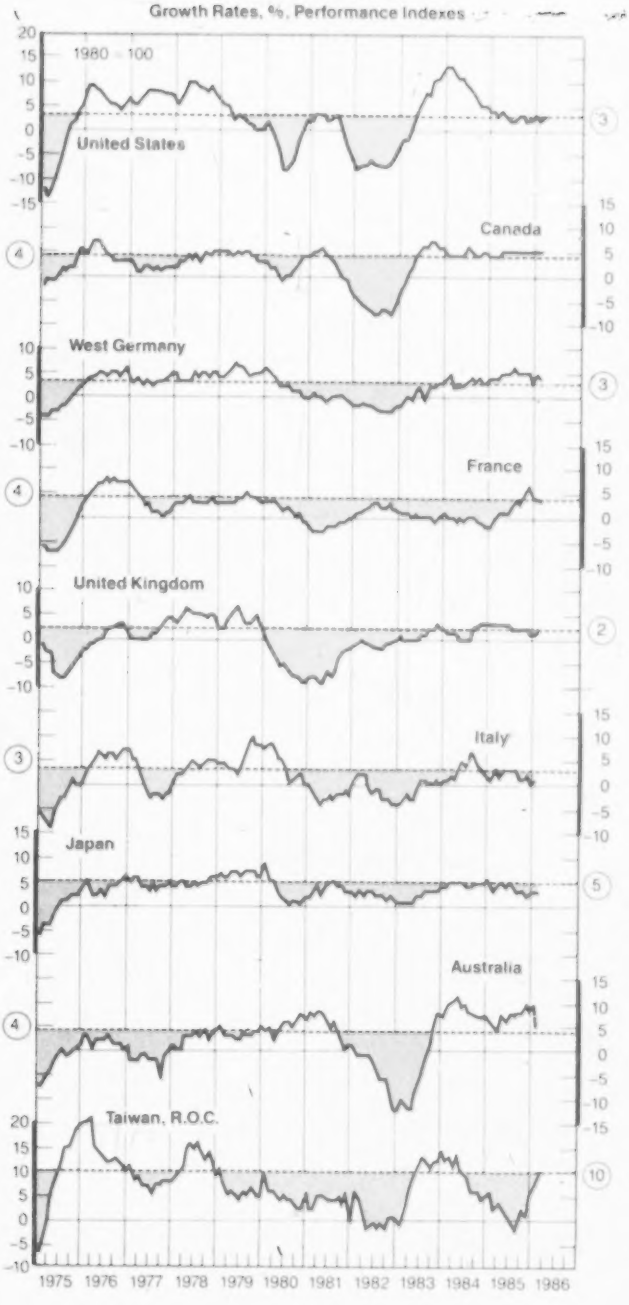
Leading Business Cycle Indexes



Sources: CIBCR and The Conference Board

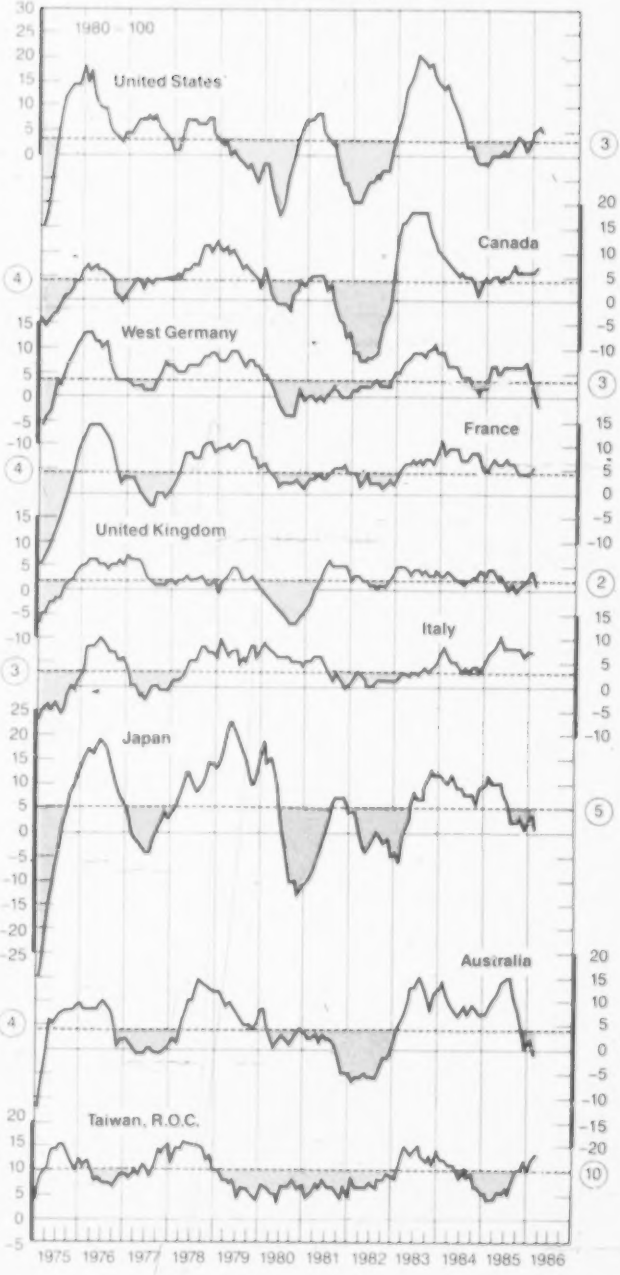
Where We Are

Growth Rates, %, Performance Indexes



Where We're Headed

Growth Rates, %, Leading Indexes



Note Horizontal dashed lines are average rates for 1969-79 in the index and in Real GNP.

Sources: CIBCR and The Conference Board

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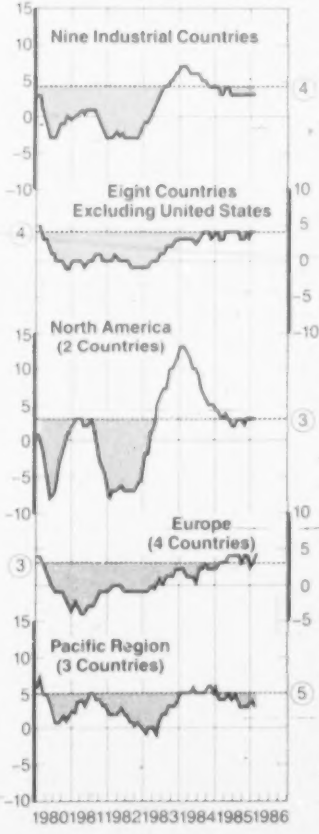
INDEXES, NINE COUNTRIES, 1984-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	109	115	105	114	102	116	99	123	95	111	99	115	115	116	107	117	126	144
Feb.	85	109	116	106	114	102	119	99	124	95	112	100	116	115	117	108	118	127	144
Mar.	85	109	116	106	115	103	119	100	125	95	112	101	117	115	118	108	120	125	144
Apr.	85	110	116	107	115	104	119	100	126	95	112	101	118	115	119	108	121	126	145
May	85	110	116	108	116	104	120	100	127	96	112	102	120	117	119	110	123	126	146
June	85	109	116	108	116	104	120	100	128	96	112	102	119	116	119	109	125	125	147
July	85	110	117	108	117	106	121	101	129	96	111	102	119	117	119	111	127	125	148
Aug.	85	110	117	109	118	106	121	102	129	96	111	101	120	117	118	111	128	124	148
Sept.	85	110	118	109	118	106	122	102	129	96	111	101	121	117	118	112	127	124	151
Oct.	85	110	117	110	119	106	123	102	129	96	111	101	121	117	120	113	126	126	152
Nov.	85	111	117	110	120	106	124	104	129	96	111	102	121	117	119	114	125	126	153
Dec.	85	111	119	110	120	106	122	103	130	96	113	101	123	118	120	114	124	127	156
Jan.	86	112	120	111	120	107	121	103	131	96	114		124	118	121	116	124	130	156
Feb.	86	112	121	111	122	107	120	104		97	112			118	120	114	124	131	158
Mar.	86	112	121															133	160
		Growth Rates, Percent																	
Jan.	85	4	-2	4	4	4	3	0	5	3	3	1	4	6	10	7	7	5	5
Feb.	85	4	-2	4	5	4	6	1	5	2	4	3	7	4	11	6	8	6	5
Mar.	85	3	0	4	5	4	6	2	7	3	4	4	7	3	10	5	10	2	4
Apr.	85	4	0	5	4	5	5	3	7	3	3	2	8	4	10	4	11	3	5
May	85	3	0	5	5	5	5	3	7	3	3	3	10	5	10	7	12	2	5
June	85	2	0	5	5	5	6	3	8	3	2	3	7	4	8	6	14	1	5
July	85	2	2	5	5	6	6	4	8	2	0	3	7	5	6	7	15	-1	8
Aug.	85	3	2	5	7	5	6	4	7	2	1	1	7	4	3	7	15	-2	5
Sept.	85	3	4	5	6	5	6	3	6	2	0	1	8	3	3	8	11	-1	8
Oct.	85	2	2	5	6	5	6	4	5	2	0	1	6	3	4	8	8	2	10
Nov.	85	2	1	5	6	5	7	6	4	2	0	2	6	2	2	10	4	1	10
Dec.	85	3	4	5	6	3	3	4	5	1	2	0	7	3	3	8	1	2	12
Jan.	86	3	5	5	6	5	0	4	5	1	4	1	7	3	4	10	2	6	10
Feb.	86	2	6	5	7	4	-2	4		2	1			3	1	5	-1	8	12
Mar.	86	3	5															10	13
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	106	116	105	117	108	115	99	117	115	117
Feb.	85	107	117	105	118	109	116	99	118	114	118
Mar.	85	107	118	105	119	109	116	100	119	114	119
Apr.	85	107	118	106	119	110	116	100	119	115	120
May	85	108	118	106	120	109	116	101	120	116	120
June	85	108	118	106	120	109	116	101	120	116	121
July	85	108	119	107	120	109	117	101	120	117	121
Aug.	85	108	119	107	120	110	117	102	121	117	120
Sept.	85	108	120	107	121	110	118	102	121	117	120
Oct.	85	109	120	108	121	110	117	102	121	117	121
Nov.	85	109	120	108	121	111	117	103	122	117	120
Dec.	85	109	120	108	122	111	119	102	122	118	121
Jan.	86	110	121	108	122	112	120	103	122	118	123
Feb.	86	110	121	109	121	112	121	103	122	118	121
		Growth Rates, Percent									
Jan.	85	4	2	4	6	4	-2	2	4	6	9
Feb.	85	3	3	3	7	4	-1	3	5	4	10
Mar.	85	3	4	3	7	3	0	3	6	4	10
Apr.	85	4	4	4	7	4	0	3	6	4	10
May	85	4	4	4	7	3	0	4	6	5	10
June	85	3	4	4	7	2	0	4	6	4	9
July	85	3	4	4	6	2	2	4	5	5	7
Aug.	85	3	4	4	5	3	2	4	5	4	5
Sept.	85	3	4	3	5	3	4	3	5	3	4
Oct.	85	3	4	3	5	2	2	4	5	3	5
Nov.	85	3	3	4	4	3	1	4	5	3	3
Dec.	85	3	4	3	4	3	4	2	4	3	3
Jan.	86	3	4	4	4	3	5	3	3	4	4
Feb.	86	3	4	4	2	3	6	4	2	3	1
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

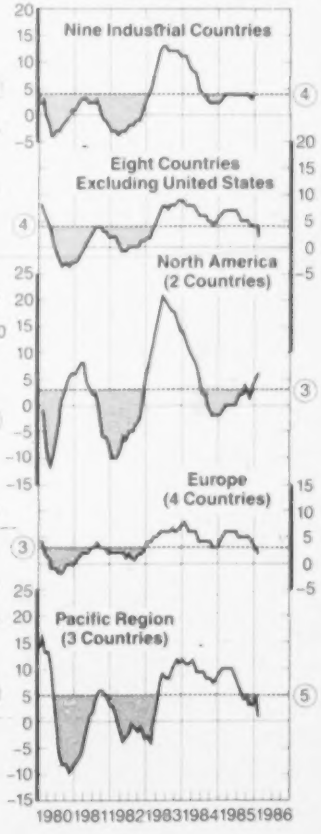
Where We Are

Growth Rates, %, Performing Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates, %, Leading Indexes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1980 1981 1982 1983 1984 1985 1986

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-6A

JUNE, 1986

SUMMARY

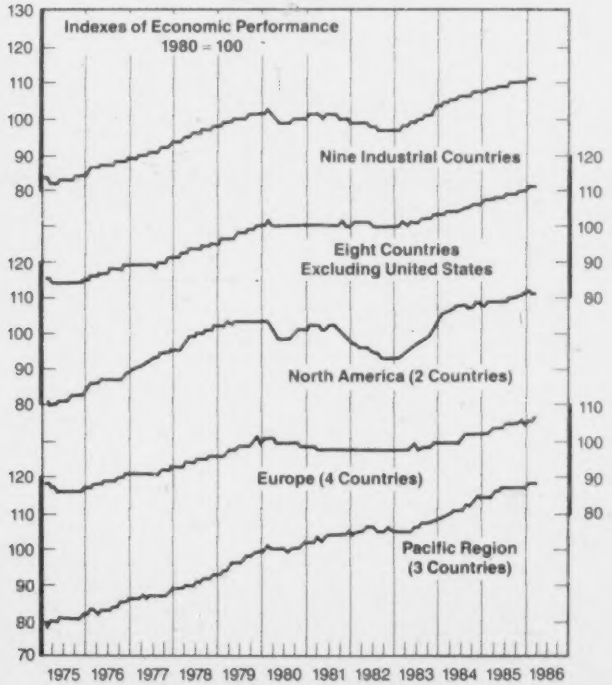
Recent data from the major industrial nations are sounding highly uncertain signals about where the world business cycle is headed. In the aggregate, both the performance indexes and the leading indexes continue to show the kind of moderate economic expansion that has prevailed for the past year and a half.

Among individual countries, however, the leading indexes now show much more diversity than earlier. In the U.S. and Italy, the portents of future expansion have strengthened. The opposite is happening in West Germany, Japan and Australia, where the leading indexes have declined in recent months. In each of these three cases, however, the results must be interpreted with caution, since part (but not all) of the weakness in these indexes may be attributable to the dramatic drop in oil prices — which is actually quite favorable to the longer term economic outlook in these oil-consuming economies.

	Ten-year Growth Rate 1969-79	*Indexes of Economic Performance Growth Rates**			*Leading Business Cycle Indexes Growth Rates**			*Current Reading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
	annual rates, percent								
9 countries	4	3	3	3	4	3	3	Expansion continuing	Mar.
8 countries ex. U.S.	4	4	3	3	5	3	2	Expansion continuing	Mar.
North America (2)	3	3	3	2	4	4	5	Expansion continuing	Mar.
Europe (4)	3	3	3	3	5	3	3	Expansion continuing	Mar.
Pacific Region (3)	5	3	3	3	4	3	–1	Expansion continuing, leaders weak	Mar.
United States	3	2	3	3	2	5	6	Expansion continuing	Apr.
Canada	4	5	5	3	6	6	5	Expansion continuing	Mar.
West Germany	3	5	5	6	6	3	–3	Expansion continuing, leaders weak	Apr./Mar.
France	4	4	4	4	5	3	5	Expansion continuing	Mar.
United Kingdom	2	3	2	2	0	2	2	Expansion continuing	Mar.
Italy	3	3	1	1	8	7	9	Expansion stalling, leaders strong	Jan./Mar.
Japan	5	2	3	2	3	2	–1	Expansion continuing, leaders weak	Apr./Mar.
Australia	4	8	8	4	11	1	–3	Expansion continuing, leaders weak	Mar.
Taiwan, R.O.C.	10	2	6	5	10	10	12	Expansion continuing	Apr.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are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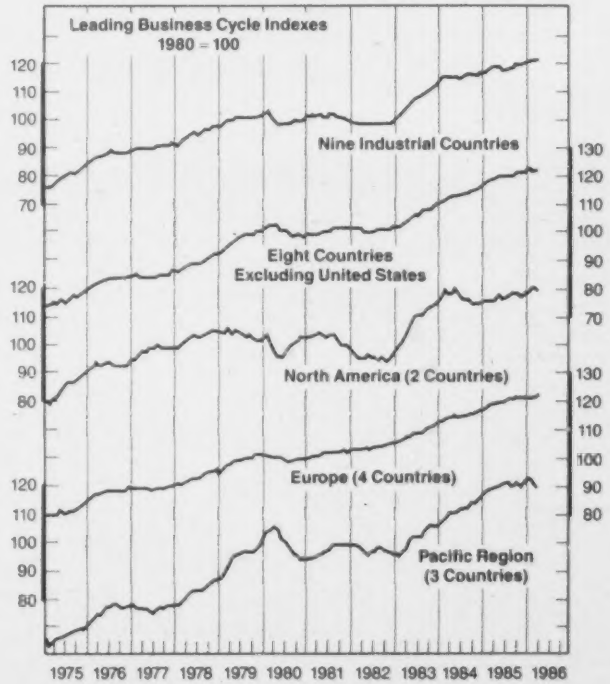
Where We're Headed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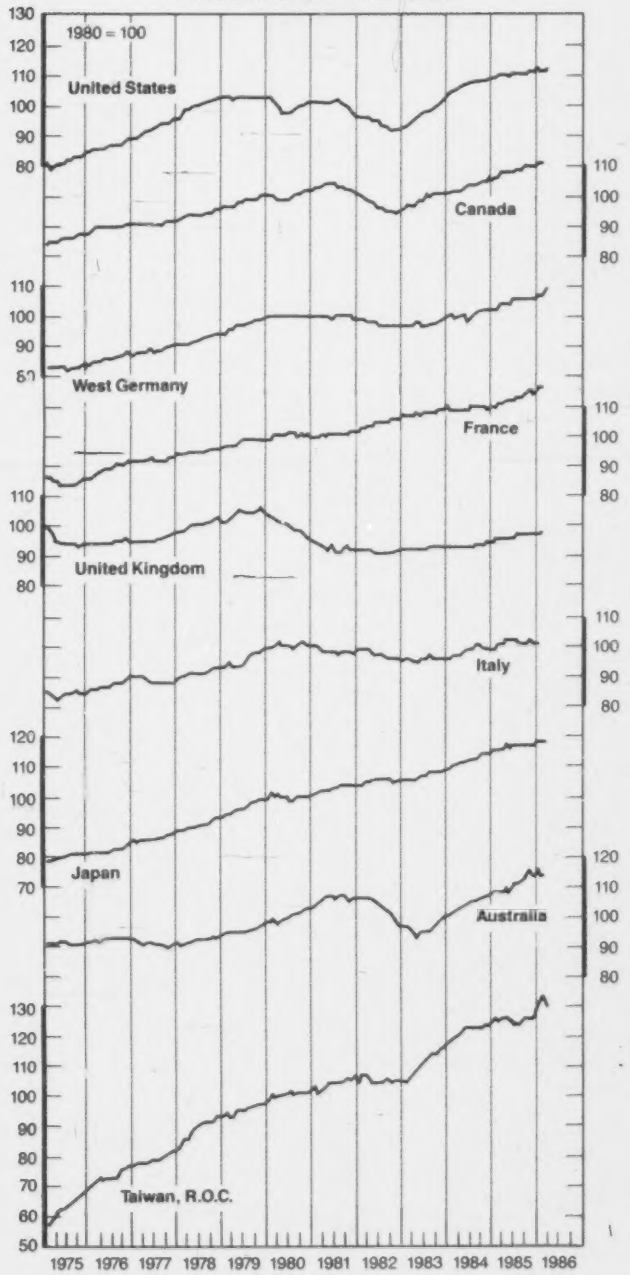
70th Anniversary

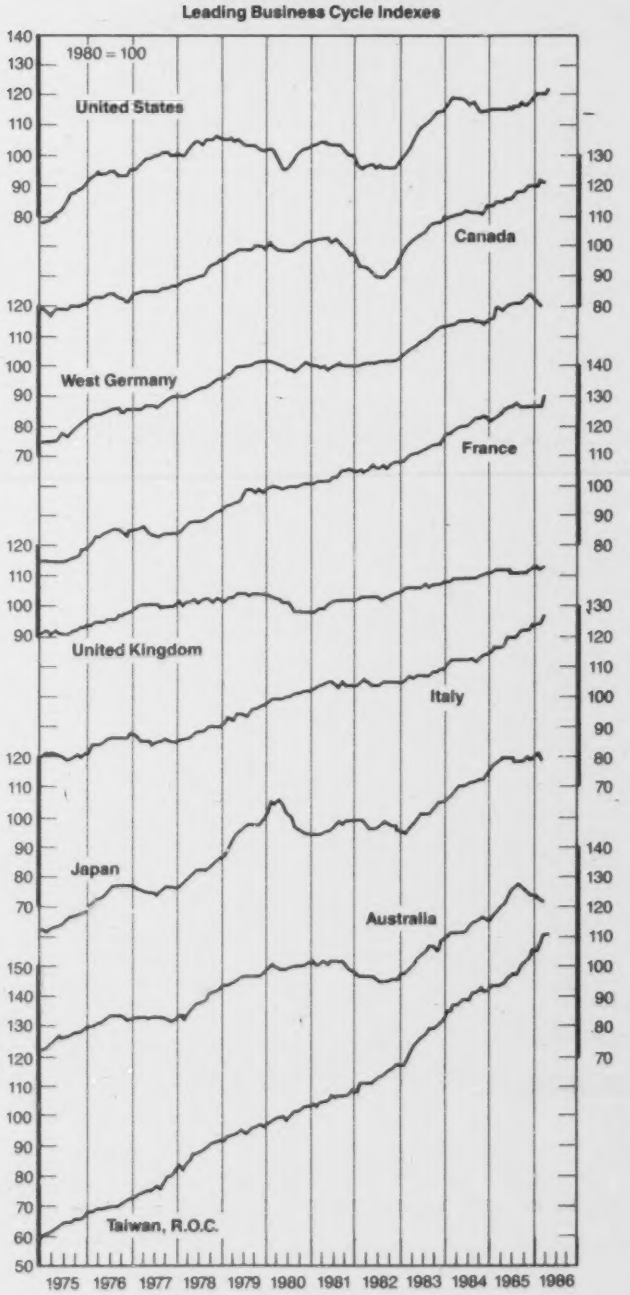
Where We Are

Indexes of Economic Performance



Where We're Headed

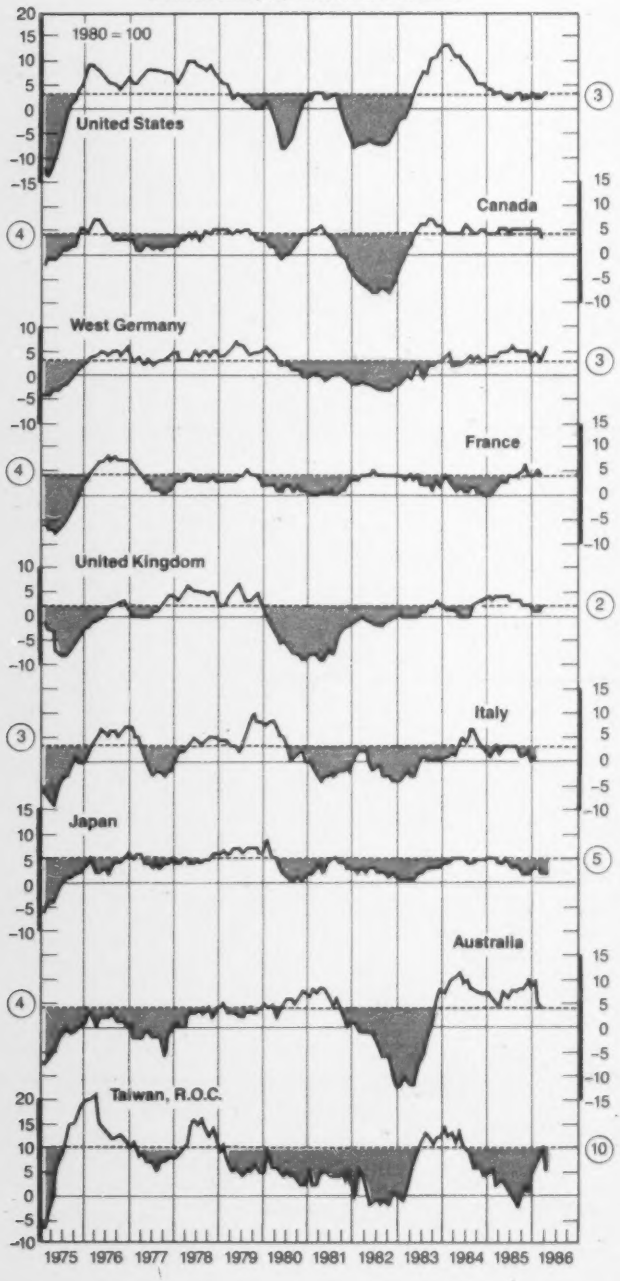
Leading Business Cycle Indexes



Sources: CIBCR and The Conference Board

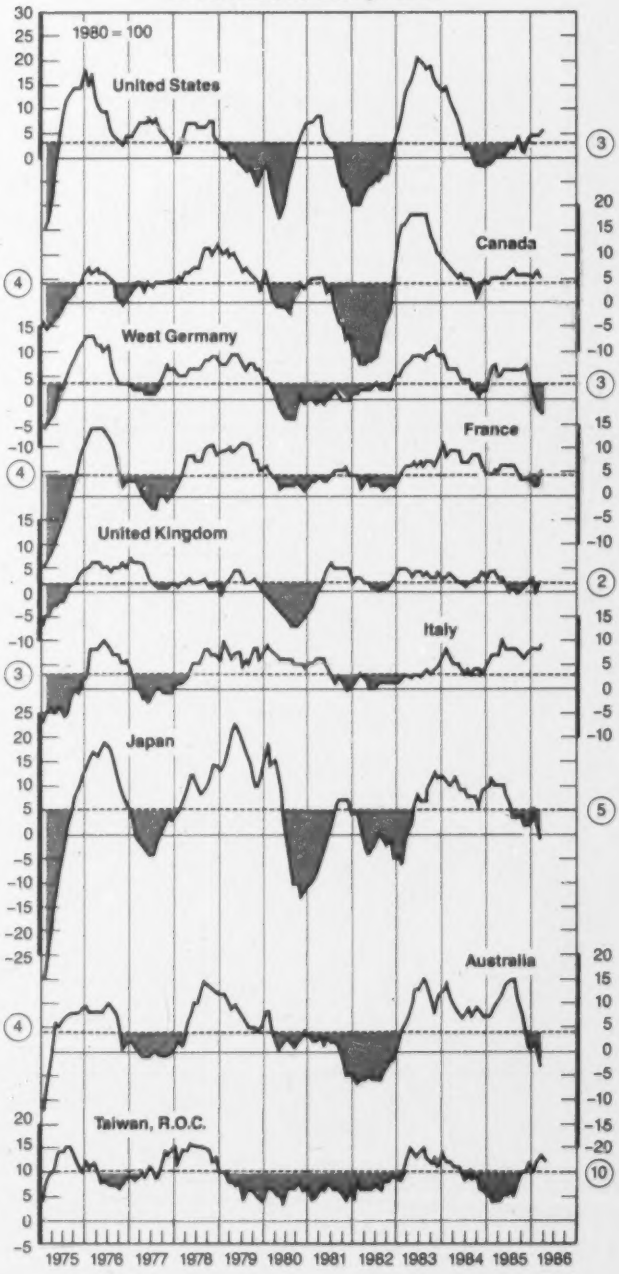
Where We Are

Growth Rates, %, Performance Indexes



Where We're Headed

Growth Rates, %, Leading Indexes



Note: Horizontal dashed lines are average rates for 1969-79 in the index and in Real GNP

Sources: CIBCR and The Conference Board

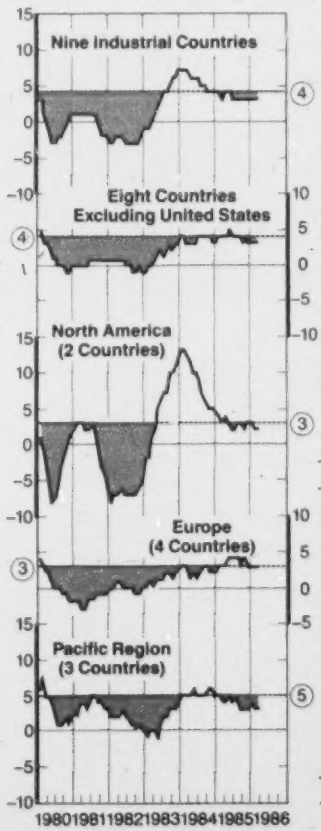
INDEXES, NINE COUNTRIES, 1985-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	109	116	106	114	102	116	110	122	95	111	99	115	115	116	107	117	126	144
Feb.	85	109	116	106	114	102	119	110	123	95	112	100	117	115	117	108	118	127	144
Mar.	85	109	116	106	115	103	120	111	124	96	112	101	117	115	118	108	120	125	144
Apr.	85	110	116	107	115	104	119	111	125	96	112	101	118	116	119	108	121	126	145
May	85	110	116	108	116	104	120	112	126	96	112	102	120	117	119	110	123	126	146
June	85	109	116	108	116	104	120	112	127	96	112	102	120	116	119	109	125	125	147
July	85	110	117	108	117	106	121	113	127	96	111	102	120	117	119	111	127	125	148
Aug.	85	110	117	109	118	106	121	113	128	97	111	101	121	117	118	111	128	124	148
Sept.	85	110	118	109	118	106	122	113	127	97	111	101	122	117	118	113	127	124	151
Oct.	85	110	117	110	119	106	123	114	127	97	111	101	122	117	119	113	126	126	152
Nov.	85	111	117	110	120	106	123	115	127	97	111	102	122	117	119	115	125	126	153
Dec.	85	111	119	110	120	106	122	114	127	97	113	101	124	117	120	114	124	127	156
Jan.	86	112	120	111	120	107	121	115	127	97	113	101	125	118	121	116	124	130	156
Feb.	86	111	120	111	122	107	120	116	127	97	112		125	118	120	114	123	131	158
Mar.	86	111	120	111	121	107	119	116	130	98	113		127	118	118	114	122	133	161
Apr.	86	112	122			109								118				130	161
		Growth Rates, Percent																	
Jan.	85	4	-2	4	4	4	3	0	4	4	3	1	4	5	10	7	7	5	5
Feb.	85	4	-1	4	5	4	6	1	5	3	4	3	7	5	11	6	8	6	5
Mar.	85	3	0	4	5	4	7	2	5	4	4	4	7	4	10	5	10	2	4
Apr.	85	3	0	5	5	5	5	3	5	4	3	2	7	4	10	4	11	3	5
May	85	3	0	5	5	5	5	3	6	4	3	3	10	5	10	7	12	2	5
June	85	2	-1	4	5	5	6	3	6	4	2	3	8	4	8	6	14	1	5
July	85	2	2	5	6	6	6	4	6	3	0	3	8	4	6	7	15	-1	6
Aug.	85	3	2	5	7	5	6	4	6	3	1	1	8	4	3	7	15	-2	5
Sept.	85	3	4	5	6	5	6	4	5	3	0	1	8	3	3	8	11	-1	8
Oct.	85	2	2	5	6	5	6	5	3	2	0	1	7	2	4	8	8	2	10
Nov.	85	2	1	5	6	5	7	6	3	2	0	2	6	2	2	10	4	1	10
Dec.	85	3	4	5	6	3	3	4	3	2	2	0	7	2	2	8	1	2	12
Jan.	86	3	5	5	5	5	0	4	2	1	3	1	8	3	5	10	2	6	10
Feb.	86	2	5	5	7	4	-2	5	2	1	0		8	3	1	5	-1	8	12
Mar.	86	2	5	3	5	3	-3	4	5	2	2		9	2	-1	4	-3	10	13
Apr.	86	3	6			6								2				5	12
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	107	116	107	116	108	115	102	117	114	117
Feb.	85	108	117	107	118	109	116	103	118	114	118
Mar.	85	108	118	107	118	109	116	103	119	114	119
Apr.	85	108	118	108	119	109	116	103	119	115	120
May	85	109	118	108	120	109	116	104	120	116	120
June	85	109	118	109	120	109	116	104	120	116	120
July	85	109	119	109	120	109	117	105	120	116	121
Aug.	85	110	119	109	120	110	117	105	120	117	120
Sept.	85	110	120	109	120	110	118	105	121	117	120
Oct.	85	110	119	110	121	110	117	105	121	117	121
Nov.	85	110	119	110	121	111	117	103	121	117	120
Dec.	85	109	120	108	121	111	119	105	121	117	121
Jan.	86	111	121	110	122	112	120	108	121	118	123
Feb.	86	111	121	111	121	111	121	106	121	118	121
Mar.	86	111	121	111	121	111	120	107	122	118	120
		Growth Rates, Percent									
Jan.	85	4	2	3	5	4	-2	2	3	5	9
Feb.	85	4	3	4	7	4	-1	3	5	5	10
Mar.	85	3	4	4	7	3	0	3	6	4	10
Apr.	85	4	4	4	7	3	0	3	5	4	10
May	85	4	4	5	7	3	0	4	6	5	10
June	85	3	4	4	6	2	0	4	6	4	8
July	85	3	4	4	6	2	2	4	5	4	7
Aug.	85	4	4	4	5	3	2	4	5	4	4
Sept.	85	3	4	4	5	3	4	3	5	3	4
Oct.	85	3	3	3	4	2	2	4	4	3	5
Nov.	85	3	3	4	4	3	1	4	4	3	3
Dec.	85	3	3	3	3	3	4	3	3	3	3
Jan.	86	3	4	3	3	3	5	3	3	4	4
Feb.	86	3	3	3	2	2	6	3	1	3	1
Mar.	86	3	3	3	2	2	5	3	3	3	-1
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

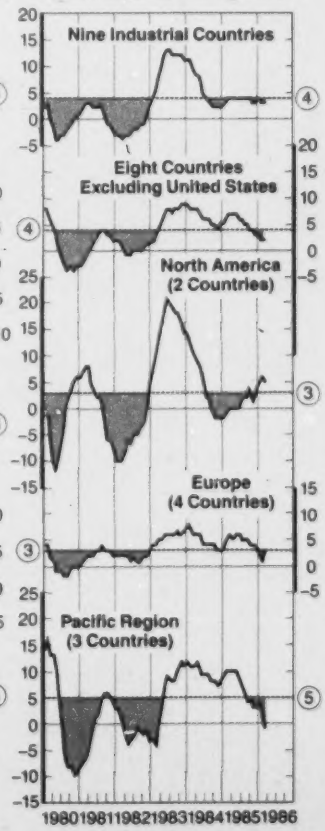
Where We Are

Growth Rates, %, Performing Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates, %, Leading Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP

Sources: CIBCR and The Conference Board

FORECASTS OF SOLID GROWTH AHEAD: ARE THEY DEPENDABLE?

Some years ago, a book appeared which argued that slumlords, extortionists, usurers, blackmarketers and other groups usually considered pariahs weren't really all that bad. Why the author did not include economic forecasters is unknown; perhaps he thought they didn't need help, or maybe he felt they were beyond redemption. Today it would seem that most people support the latter position.

No one connected with the *International Economic Scoreboard* will argue that economic prognostication is an exact science. Far from it! Yet the record shows that the accuracy of economic forecasters did not deteriorate in the 1980s and, in fact, that it's better than most people realize. (Alternatively, it is probably equally true that forecasting accuracy in earlier decades was not as good as most people then thought it was.) In this issue of the *Scoreboard* we examine the record of forecasts of changes in real GNP for four major industrial countries in recent years. In addition, we examine the forecasts for 1986 and 1987.

In research sponsored by the American Statistical Association and the National Bureau of Economic Research, Victor Zarnowitz of the University of Chicago has conducted comprehensive studies of the accuracy of forecasts of the U.S. economy. His ongoing quarterly surveys of the outlook, which have been conducted since 1968 and include more than 25 forecasting services, examine the results for real growth, inflation, unemployment, consumer outlays for durable goods and other important economic variables. Perhaps his most significant conclusion is that "it is difficult for most individuals to predict consistently better than the group. . . ."In other words, there is a high probability that the consensus of a group will have a smaller average error over time than will the individual forecaster. This result has been confirmed by *Blue Chip Economic Indicators,* a monthly survey that covers 50 forecasters.

These studies have focused on the United States. Today, a more global view is required, as the recent summit meeting in Tokyo demonstrated. *Scoreboard* readers regularly receive this in the form of an analysis of where the business cycle is headed for nine major countries. In addition, it may be helpful to review the recent record of consensus forecasts for four countries from those compiled by *Blue Chip Economic Worldscan* (Capitol Publications, Arlington, VA). The Worldscan publication presents monthly projections of year-to-year percentage changes in real GNP and other economic indicators for ten major countries. Forty prominent forecasters from a half-dozen countries regularly participate in this survey, which began in 1982.

For changes in real GNP, the consensus forecasts that were made during the October preceding the forecast year for the United States, the United Kingdom, West Germany and Japan showed an average error (for all four countries) of 0.7 percentage points (see table).

Whether this represents a good, bad or indifferent forecasting record is a matter of judgment—a judgment that depends on your standards. One objective standard is the so-called "naive forecast," which calls for "no change in the rate of change". In other words, it assumes that during the year ahead the percentage change in real GNP will be the same as the current year's change. Use of this forecasting method would produce an average error in the annual GNP projections for the four countries of 1.8

AVERAGE ERRORS, WORLDSCAN CONSENSUS FORECASTS OF YEAR-TO-YEAR PERCENT CHANGES IN REAL GNP 1983-1985

Month of Forecast	*Forecast Interval*[a]	*United States*	*United Kingdom*	*West Germany*	*Japan*	*Average, 4 Countries*
	(in months)			(percentage points)		
Preceding Year						
January	-23	1.4	0.6	0.6	1.6	1.1
April	-20	1.2	0.6	0.5	1.5	1.0
July	-17	1.1	0.5	0.4	1.3	0.8
October	-14	1.2	0.6	0.0	1.1	0.7
Forecast Year						
January	-11	1.2	0.6	0.4	0.9	0.8
April	- 8	1.0	0.6	0.4	0.8	0.7
July	- 5	0.5	0.5	0.4	0.7	0.5
October	- 2	0.2	0.5	0.4	0.6	0.4

a) From date of forecast (col. 1) to end of forecast year.
Note: Average errors are calculated without regard to sign

percentage points. With an average error less than half as large, the Worldscanners clearly did a lot better than this simple benchmark.

As would be expected, forecast accuracy generally improves as the year ahead gets closer. More relevant information about things that will affect the year ahead is known in October than in the previous April. Consequently, how much precision one would expect depends on when the forecast is made. To gauge this, we have calculated the average errors of the year-to-year percent changes in real GNP forecasts made at three-month intervals, starting with forecasts made in January almost two years before the end of the forecast year, and ending in October just two months before the forecast year is over. The table provides the record for the four countries and shows that the earliest forecasts are subject to the largest errors, and the latest forecasts the smallest errors. This pattern is plain in the data for the U.S. and Japan. For the U.K. and West Germany, however, the tendency towards improvement is less evident. No doubt this is related to the fact that during this period the forecast errors for the U.K. and West Germany were relatively small right from the start. When your early forecast is close to the bullseye, it's hard to improve your record.

Looking Ahead. What are the Worldscanners telling us now? In the June survey, the consensus forecast for growth in U.S. real output in 1986 was 2.8 percent, an improvement from the 2.3 percent growth rate in 1985. Looking forward to 1987, the group forecasts a rise in output of 3.3 percent. For Germany and Japan, the consensus suggests that growth of output will be about 3½ percent in 1986. Compared to 1985, that means faster growth for Germany and slower growth for Japan. For 1987, Japanese growth is expected to improve slightly to 3.7 percent while the German advance will taper off to 3.1 percent. Economic growth in the U.K. is forecast to be 2½ percent in both 1986 and 1987.

In short, the forecasting fraternity anticipates fairly solid improvement in real output in the industrialized world over the next 18 months. Their past record suggests they're worth listening to.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

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Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

The Conference Board, Inc.
845 Third Avenue, New York, N.Y. 10022
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Avenue Louise, 207 Bte 5
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A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

JULY, 1986

SUMMARY

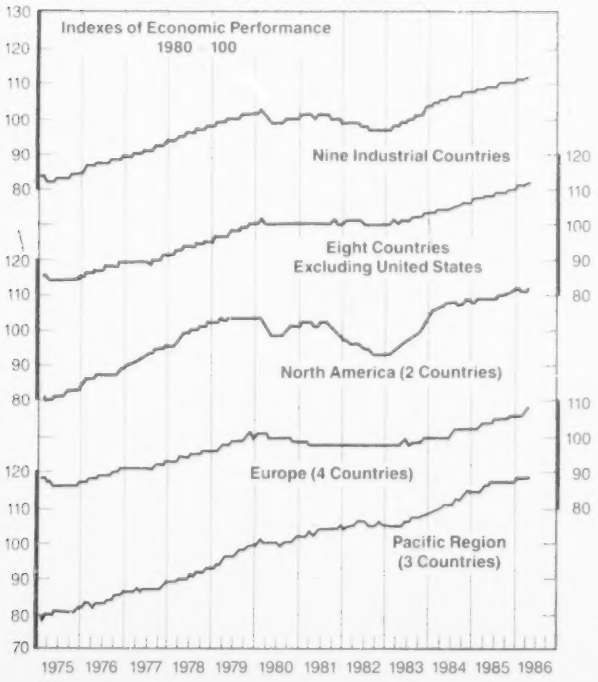
The trend toward greater disparity among the industrial countries in their economic prospects and performance is continuing. The most pronounced changes have taken palce in the Pacific Region. Taiwan's leading index, which was sluggish a year ago, now shows the fastest growth rate, 13 percent. By contrast, Japan and Australia, which were in vigorous expansion in the Spring of 1985, now show the most weakness in their leading indexes, a -4 percent rate of change. The corresponding figures for West Germany and the United Kingdom are also at the low end of the scale, with 1 percent growth at the latest reading.

These differences make it easier to detect where the economic performance growth rates are going next. They suggest no or slow growth ahead in Japan, Australia, West Germany and the U.K.; moderately faster expansion in the U.S., Canada, France and Italy; and rapid growth in Taiwan, R.O.C. For the nine countries as a group, stable growth at an annual rate of 3 percent, continuing the trend of the past six months, is indicated.

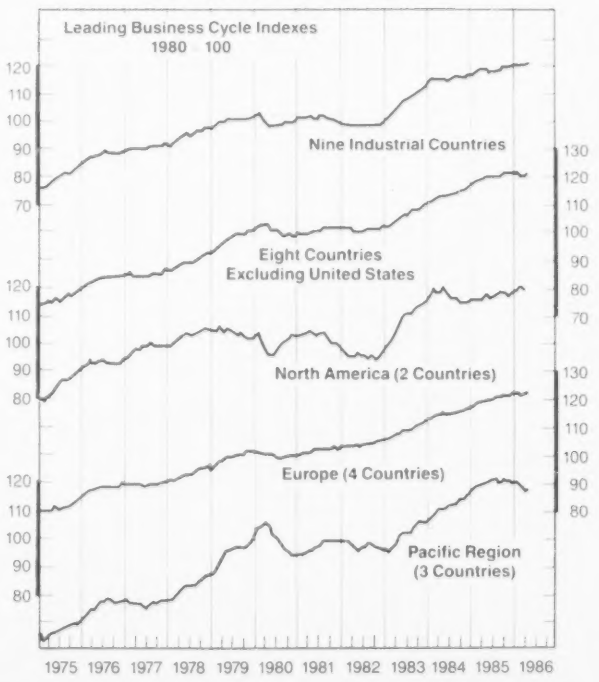
	Ten-year Growth Rate 1969-79	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	3	3	3	3	3	3	Expansion continuing	Apr.
8 countries ex. U.S.	4	3	3	4	4	2	1	Expansion continuing, leaders weak	Apr.
North America (2)	3	2	3	3	2	4	6	Expansion continuing	Apr.
Europe (4)	3	4	3	5	4	3	4	Expansion continuing	Apr.
Pacific Region (3)	5	3	3	2	5	1	-4	Expansion continuing, leaders weak	Apr.
United States	3	2	2	2	1	5	4	Expansion continuing	May
Canada	4	5	5	4	6	5	5	Expansion continuing	Apr.
West Germany	3	5	4	3	7	2	1	Expansion continuing, leaders weak	May/Apr.
France	4	5	5	5	3	2	6	Expansion continuing	Apr.
United Kingdom	2	2	2	2	-1	2	1	Expansion continuing	Apr.
Italy	3	1	1	2	8	7	9	Expansion stalling, leaders strong	Apr./Mar.
Japan	5	2	2	0	4	0	-4	Expansion continuing, leaders weak	May/Apr.
Australia	4	8	9	7	8	1	-4	Expansion continuing, leaders weak	Apr.
Taiwan, R.O.C.	10	1	8	8	10	12	13	Expansion continuing, leaders strong	May

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are


Indexes of Economic Performance
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

Where We're Headed


Leading Business Cycle Indexes
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
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Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

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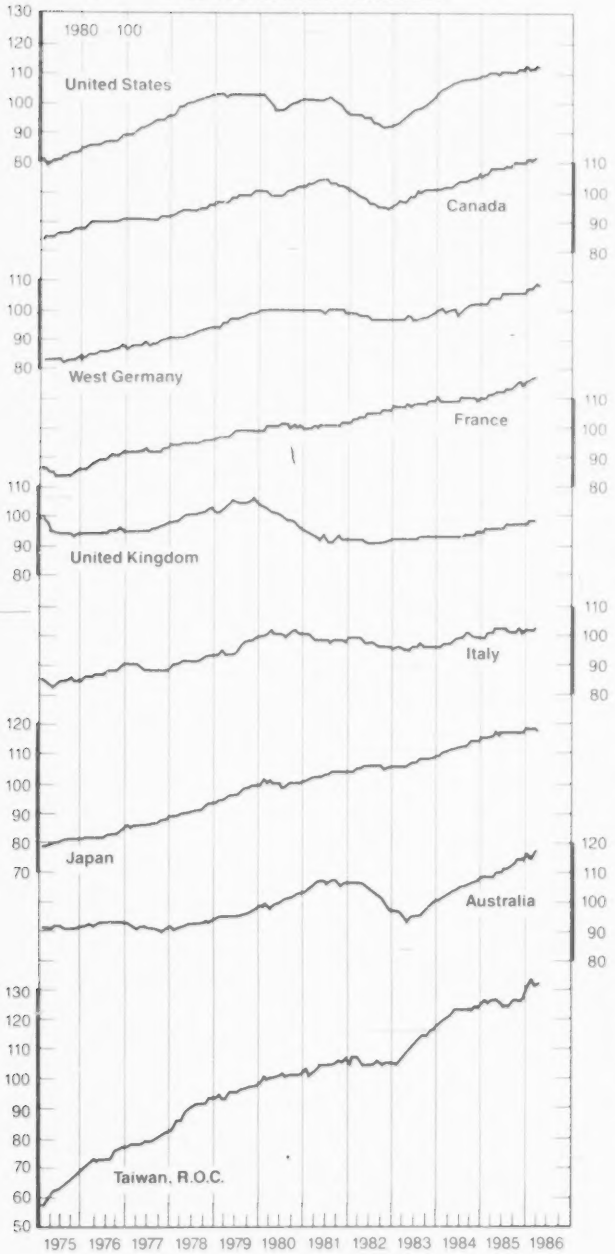
70th Anniversary

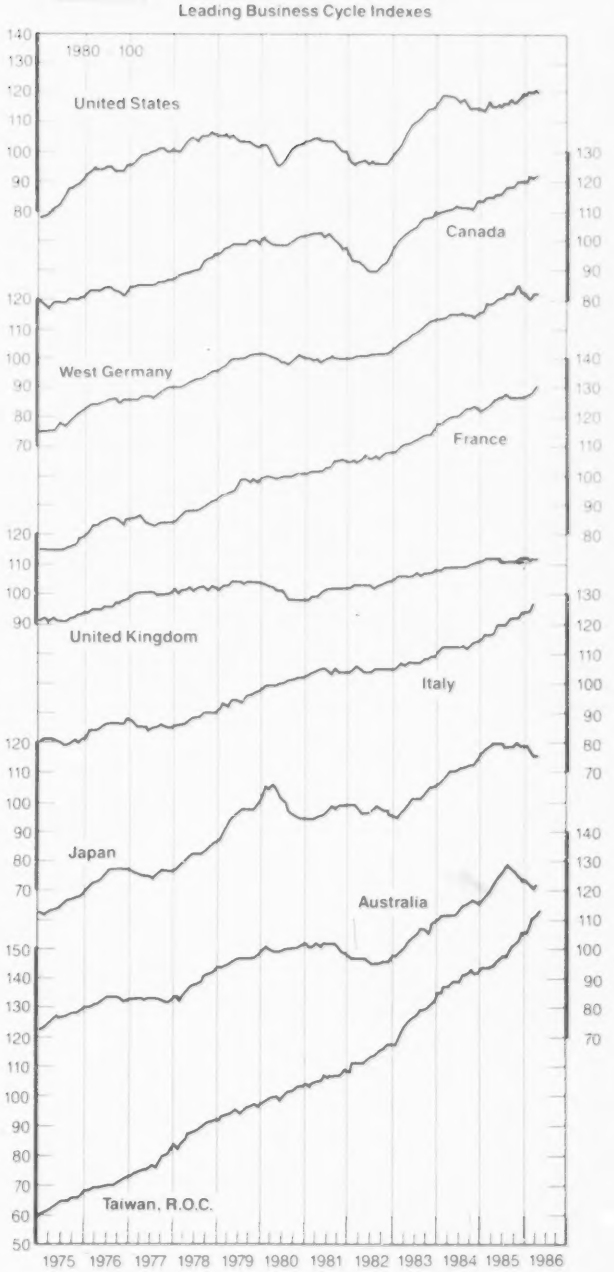
Where We Are

Indexes of Economic Performance



Where We're Headed

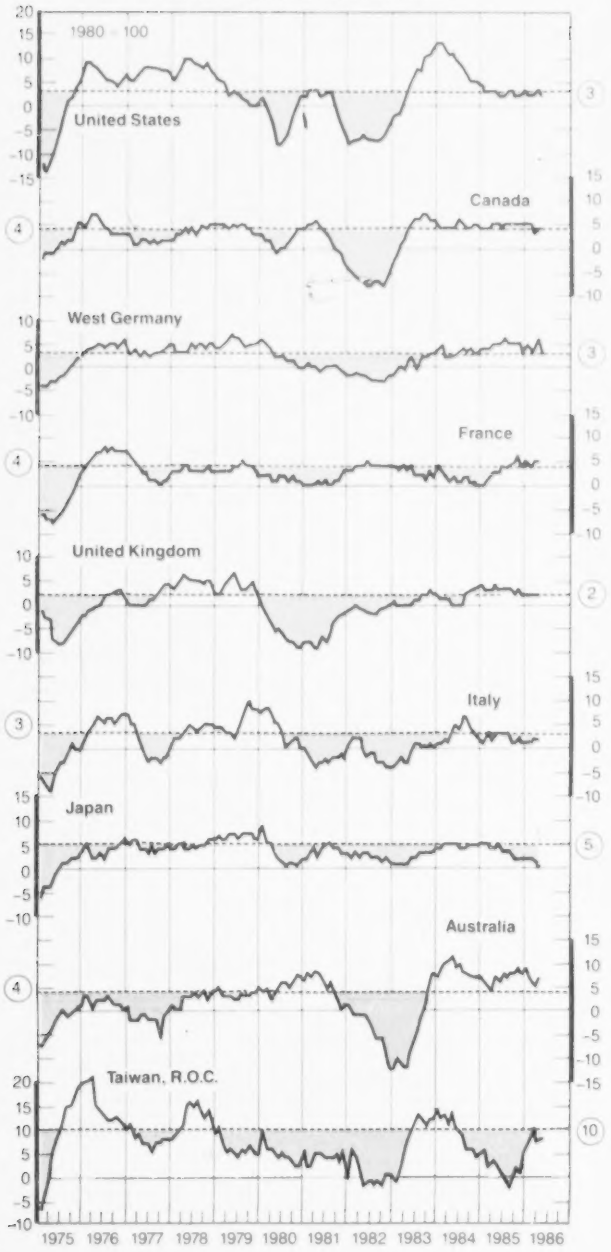
Leading Business Cycle Indexes



Sources: CIBCR and The Conference Board

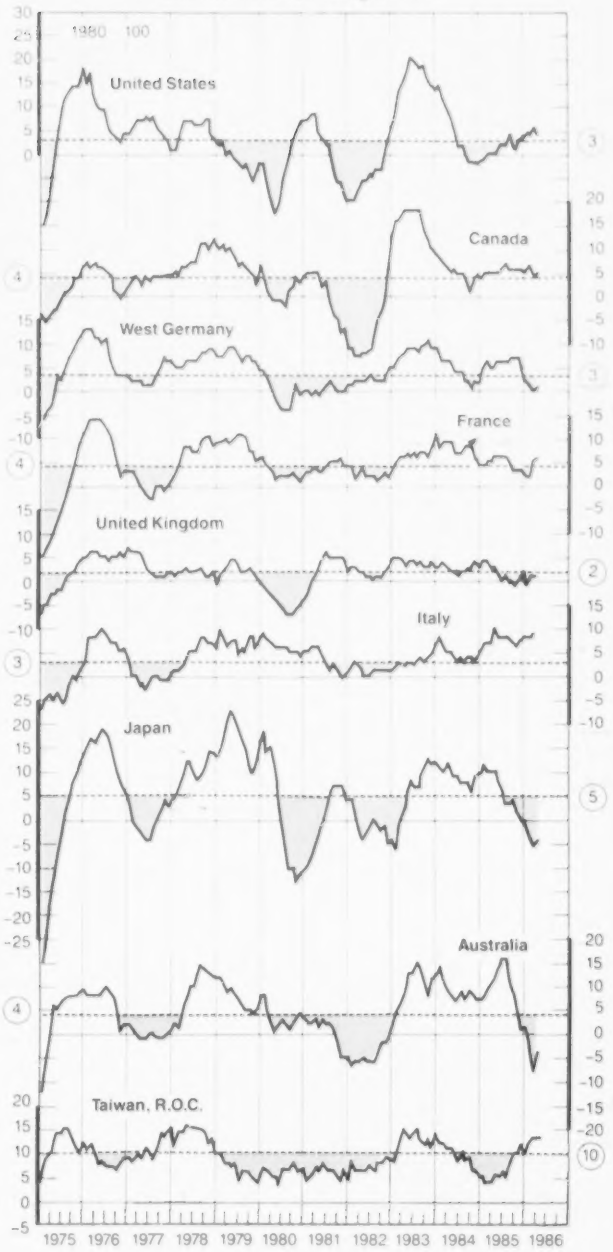
Where We Are

Growth Rates, %, Performance Indexes



Where We're Headed

Growth Rates, %, Leading Indexes



Note Horizontal dashed lines are average rates for 1969-79 in the index and in Real GNP

Sources CIBCR and The Conference Board

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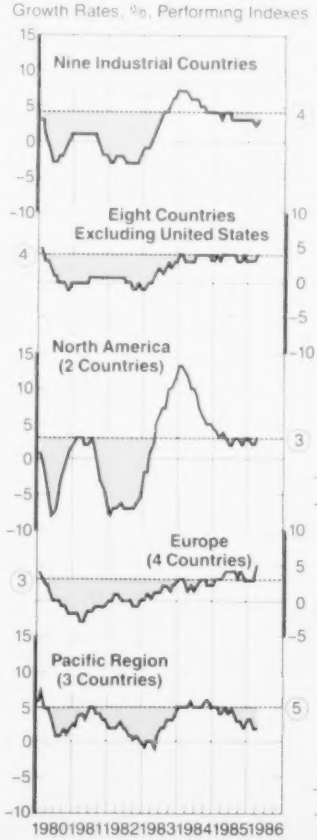
INDEXES, NINE COUNTRIES, 1985-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	109	115	106	114	102	116	110	122	95	111	99	115	115	116	108	117	126	144
Feb.	85	109	116	106	114	102	118	110	123	95	112	100	117	115	117	108	118	127	144
Mar.	85	109	117	106	115	103	119	111	124	96	112	101	117	115	118	108	120	125	144
Apr.	85	110	116	107	115	104	119	111	125	96	112	101	118	116	119	108	122	126	145
May	85	110	116	108	116	104	120	112	126	96	112	102	120	117	119	110	123	126	146
June	85	109	116	108	116	104	120	112	127	96	112	102	120	116	119	110	125	125	147
July	85	110	117	108	117	106	121	113	127	96	111	102	120	117	119	111	128	125	148
Aug.	85	110	117	109	118	106	122	113	128	97	111	101	121	117	118	112	129	124	148
Sept.	85	110	118	109	118	106	122	113	127	97	111	101	122	117	118	113	128	124	151
Oct.	85	110	117	110	119	106	123	114	127	97	111	101	122	117	119	114	127	126	152
Nov.	85	111	117	110	120	106	124	115	127	97	111	102	122	117	119	115	125	126	153
Dec.	85	111	119	110	120	106	123	114	127	97	112	101	124	117	118	115	124	127	156
Jan.	86	112	119	111	120	107	122	115	127	97	112	102	125	118	118	116	124	130	156
Feb.	86	111	120	111	122	107	121	115	128	98	111	102	125	118	116	115	123	131	158
Mar.	86	111	120	110	121	107	122	116	130	98	112	102	127	118	115	115	120	133	161
Apr.	86	112	121	112	122	109	122	117	131	98	112	103		118	115	117	122	131	162
May	86	112	120			108								117				132	164
		Growth Rates, Percent																	
Jan.	85	4	-2	4	4	4	2	0	4	4	3	1	4	5	10	7	7	5	5
Feb.	85	3	-1	4	5	4	5	1	4	3	4	3	7	5	11	6	8	6	5
Mar.	85	3	0	4	5	4	6	2	5	3	4	4	7	4	10	5	10	2	4
Apr.	85	3	0	5	5	5	5	3	5	3	3	2	7	4	10	4	12	3	5
May	85	3	0	5	5	5	5	3	6	4	3	3	10	5	10	7	13	2	5
June	85	2	0	4	5	5	6	3	6	3	2	3	8	4	9	6	14	1	5
July	85	2	2	5	6	6	6	4	6	3	0	3	8	4	6	8	16	-1	6
Aug.	85	3	2	5	7	5	6	4	6	3	1	1	8	4	3	7	16	-2	5
Sept.	85	2	4	5	6	5	7	4	5	2	0	1	8	3	3	8	11	-1	8
Oct.	85	2	2	5	6	5	7	5	3	2	-1	1	7	2	4	8	8	2	10
Nov.	85	2	1	5	6	5	7	6	3	3	0	2	6	2	2	9	4	1	10
Dec.	85	3	3	5	6	3	4	4	3	2	1	1	7	2	0	8	1	2	12
Jan.	86	3	4	5	5	5	2	5	2	2	2	1	8	2	0	9	1	6	10
Feb.	86	2	5	5	7	4	1	4	2	2	-1	1	8	2	-4	6	-2	8	12
Mar.	86	2	4	3	4	3	0	5	5	2	1	2	9	2	-5	5	-8	10	13
Apr.	86	3	6	4	5	6	1	5	6	2	1	2		1	-4	7	-4	7	13
May	86	2	4			3								0				8	13
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	107	116	107	116	108	115	102	116	114	117
Feb.	85	108	117	107	118	109	116	103	118	114	118
Mar.	85	108	118	107	118	109	116	103	118	114	119
Apr.	85	108	118	108	119	109	116	103	119	115	120
May	85	109	118	108	120	109	116	104	120	116	120
June	85	109	118	108	120	109	116	104	120	116	121
July	85	109	119	109	120	109	117	105	120	116	121
Aug.	85	110	119	109	120	110	117	105	120	117	120
Sept.	85	110	120	109	120	110	118	105	121	117	120
Oct.	85	110	119	110	121	110	117	105	121	117	121
Nov.	85	110	119	110	121	111	117	106	121	117	121
Dec.	85	110	120	110	121	111	119	106	122	117	120
Jan.	86	111	120	110	121	112	120	106	122	118	120
Feb.	86	111	120	111	120	111	121	106	121	118	118
Mar.	86	111	120	111	120	111	120	107	122	118	117
Apr.	86	112	121	112	121	112	121	108	123	118	118
		Growth Rates, Percent									
Jan.	85	4	2	3	5	4	-2	2	3	5	9
Feb.	85	4	3	4	7	4	-1	3	5	5	10
Mar.	85	3	4	3	7	3	1	3	5	4	10
Apr.	85	4	4	4	7	3	0	3	5	4	10
May	85	4	4	4	7	3	0	4	6	5	10
June	85	3	4	4	6	2	0	4	6	4	8
July	85	3	4	4	6	2	2	4	5	4	7
Aug.	85	4	4	4	5	3	2	4	5	4	5
Sept.	85	3	4	3	5	3	4	3	5	3	4
Oct.	85	3	3	3	4	2	2	4	4	3	5
Nov.	85	3	3	4	4	2	1	4	4	3	3
Dec.	85	3	3	3	3	3	4	3	4	2	1
Jan.	86	3	3	3	2	3	4	3	3	3	1
Feb.	86	3	2	3	1	2	6	3	2	3	-3
Mar.	86	2	2	3	0	2	4	3	3	2	-5
Apr.	86	3	3	4	1	3	6	5	4	2	-4
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

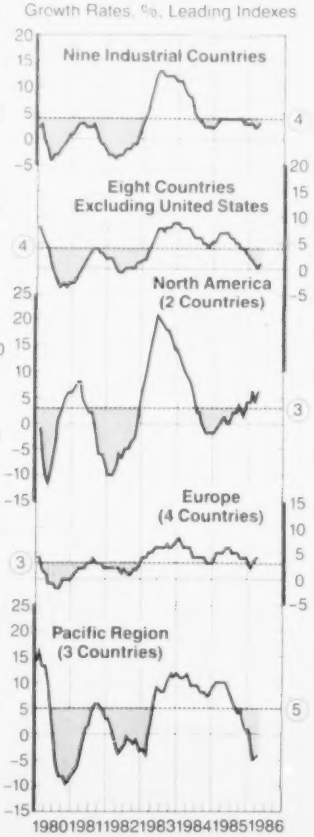
Where We Are

Growth Rates, %, Performing Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates, %, Leading Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.

Sources: CIBCR and The Conference Board

A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-6A

AUGUST, 1986

SUMMARY

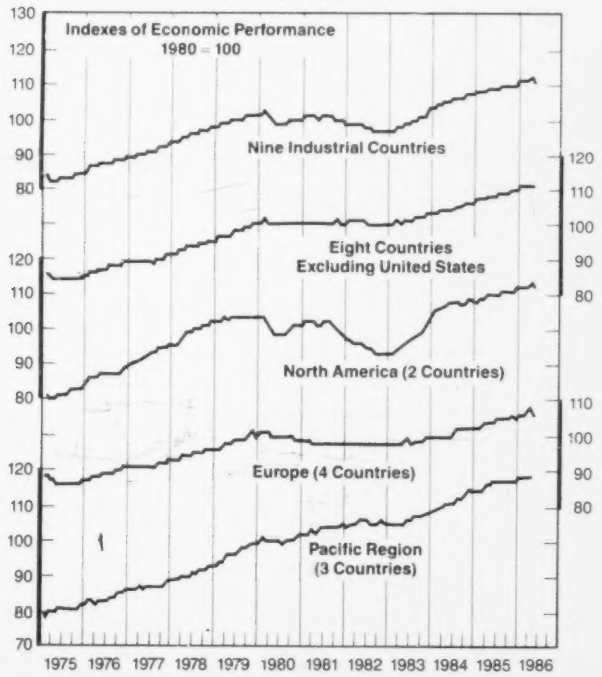
The long worldwide business-cycle expansion continues—at a snail's pace in some countries, fairly rapidly in others. The slow group—those with a 1 or 2 percent growth rate in their economic performance indexes—includes the United States, Canada, the United Kingdom, Italy and Japan. Recent movements of the leading indexes suggest that better times are ahead for the U.S. and Italy, but not for Canada, the U.K. and Japan.

The performance indexes show a brisk 5 percent growth rate for West Germany, France, Australia and Taiwan, R.O.C. The leading indexes for Australia and possibly West Germany, however, suggest that these two countries may not stay on the fast track much longer. At present, only France and Taiwan have the best of both worlds—strong growth now and strong signals for the months ahead.

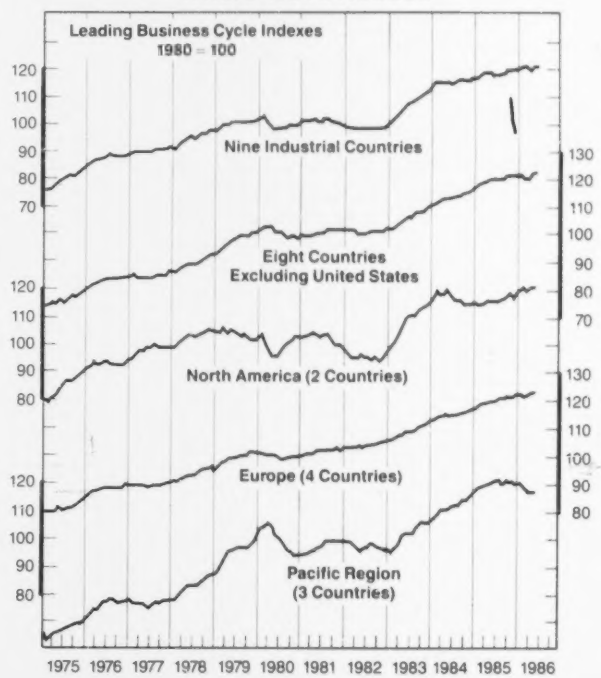
	Ten-year Growth Rate 1969-79	*Indexes of Economic Performance Growth Rates**			*Leading Business Cycle Indexes Growth Rates**			*Current Reading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
	annual rates, percent								
9 countries	4	3	3	2	3	3	3	Expansion continuing	May
8 countries ex. U.S.	4	4	3	1	4	0	2	Expansion continuing,leaders weak	May
North America (2)	3	3	3	2	2	6	4	Expansion continuing	May
Europe (4)	3	4	3	1	4	2	5	Expansion continuing	May
Pacific Region (3)	5	3	3	1	3	–3	–4	Expansion continuing, leaders weak	May
United States	3	4	2	1	4	4	4	Expansion continuing	June
Canada	4	5	5	2	5	5	3	Expansion continuing	May
West Germany	3	3	3	5	7	1	2	Expansion continuing, leaders weak	June/May
France	4	6	4	5	4	2	8	Expansion continuing, leaders strong	May
United Kingdom	2	3	2	1	0	–1	0	Expansion continuing, leaders weak	May
Italy	3	1	1	1	6	8	12	Expansion stalling, leaders strong	Apr./May
Japan	5	2	2	1	2	–4	–4	Expansion stalling	May
Australia	4	9	6	5	4	–2	–6	Expansion continuing, leaders weak	May
Taiwan, R.O.C.	10	2	10	5	12	13	14	Expansion continuing, leaders strong	June

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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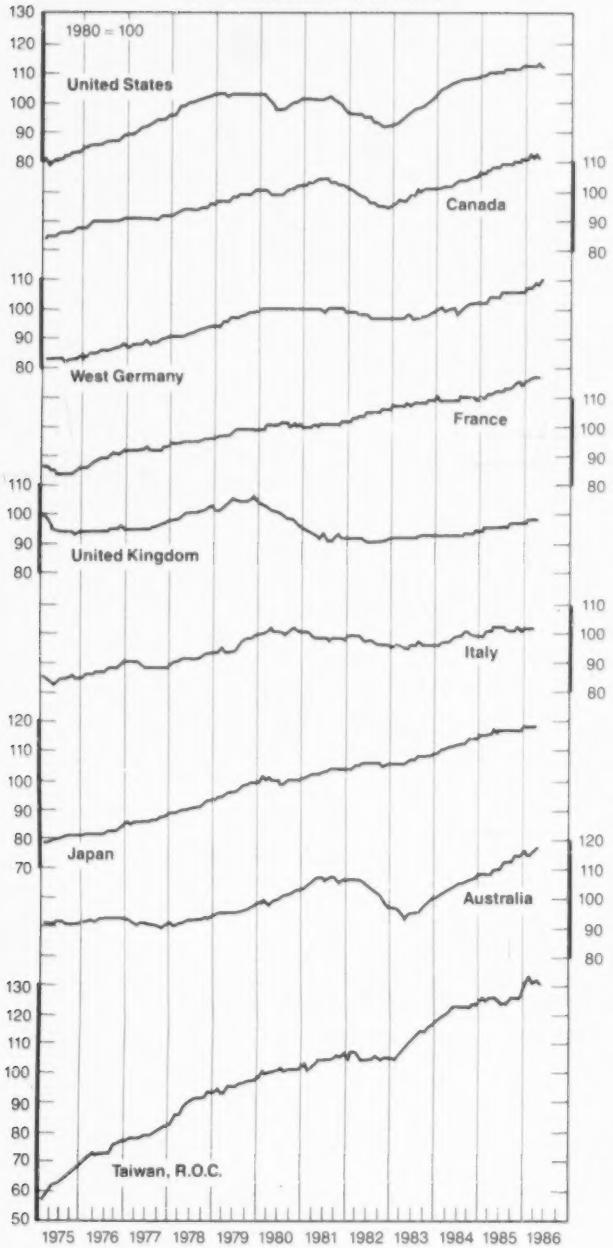
70th Anniversary

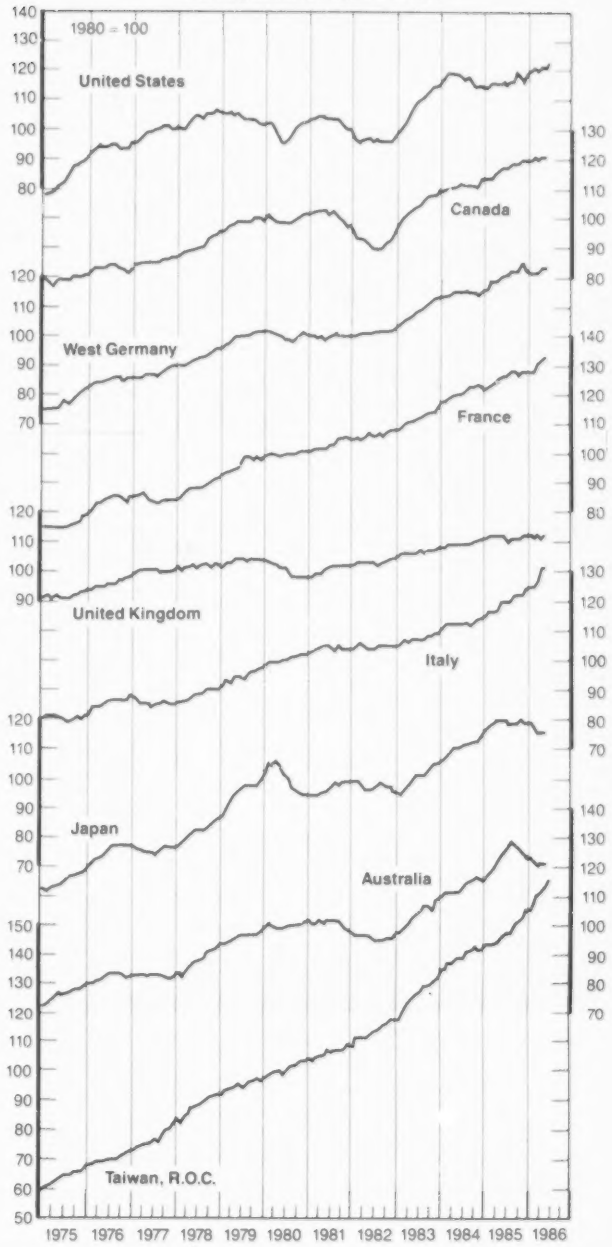
Where We Are

Indexes of Economic Performance



Where We're Headed

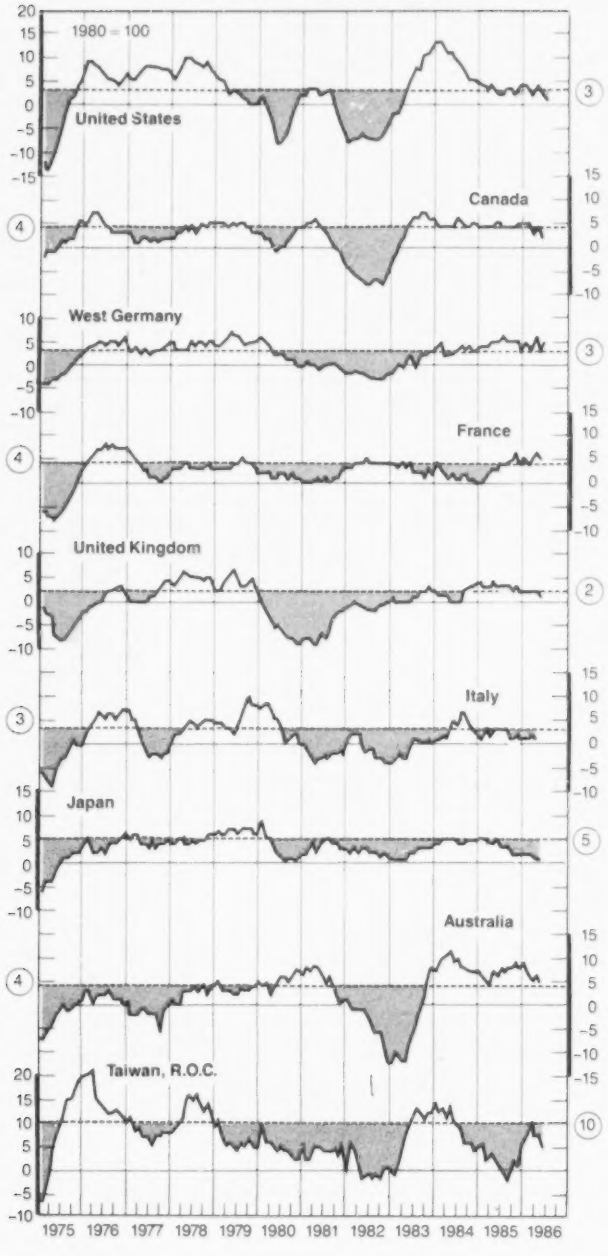
Leading Business Cycle Indexes



Sources: CIBCR and The Conference Board

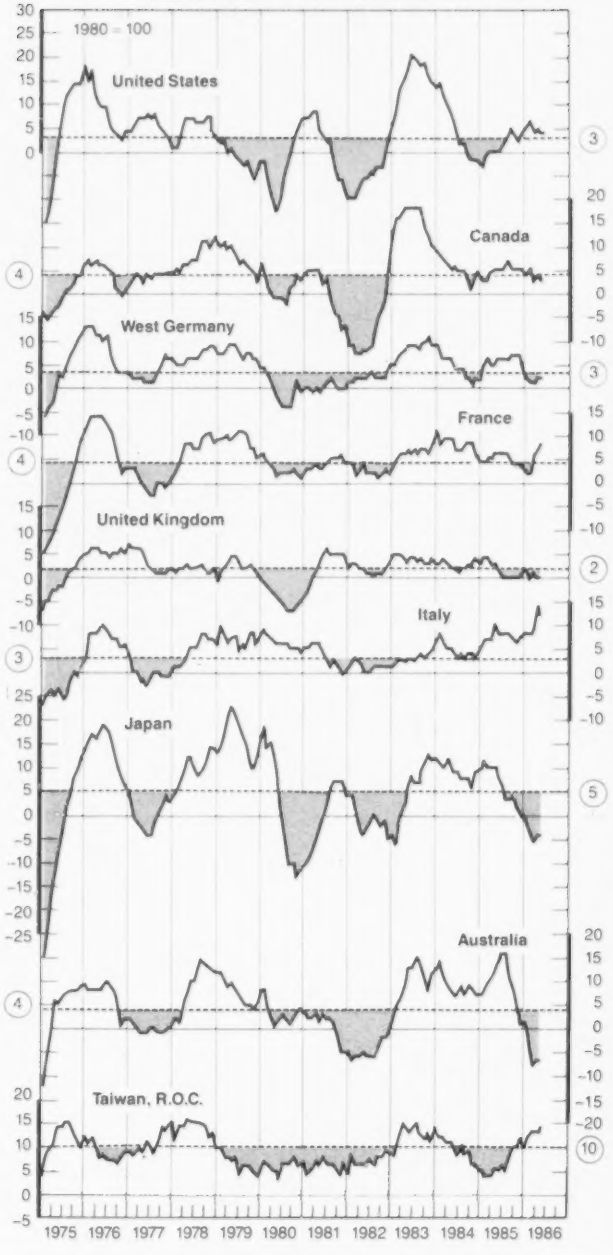
Where We Are

Growth Rates, %, Performance Indexes



Where We're Headed

Growth Rates, %, Leading Indexes



Note: Horizontal dashed lines are average rates for 1969-79 in the index and in Real GNP

Sources: CIBCR and The Conference Board

THE TERMS-OF-TRADE EFFECT ON REAL GROWTH AND INFLATION

When the United States pays lower prices for what it imports and receives higher prices for its exports, as it did when the international value of the dollar advanced sharply from 1980 to early 1985, is the U.S. better off or worse off? Some say "worse off," because the rising dollar intensifies foreign competition. Others say "better off, because cut-rate imports and higher priced exports give us more for our money on both sides of the account.

According to the official data on real GNP, however, changes in export and import prices make no difference. No difference at all? Why not? Well, the reason for such an incongruous result is that the Department of Commerce calculates the international trade component of real GNP (exports minus imports, known as "net exports") by treating exports and imports separately. The nominal dollar value of exports is deflated by an index of export prices, and the nominal dollar value of imports is deflated by an index of the prices of imports. As a consequence, assuming no change in the *quantity* of exports and imports, any change in the relation between export and import prices since the base year (1982) gets washed out. Thus contrary to what some analysts think is common sense, real GNP does not get a boost when import prices go down and export prices go up—nor is real GNP curtailed when it's the other way around.

Commerce calculates net exports this way because it is consistent with measures of the physical volume of exports and imports considered separately. But the difference between the value of exports and imports is also a measure of the change in our claims against foreign countries. An accumulation of such claims is a type of capital formation similar to increased plant, equipment and inventories. These claims increase when we sell our goods to foreigners at higher prices and buy their goods more cheaply. Even though the physical volume of trade may not change, our command over resources has increased. The recent sharp decline in the price of imported oil is another example of such a gain for the country as a whole, despite the unfortunate consequences for domestic oil producers.

This is known as a change in the "terms of trade". As foreign trade becomes a larger part of total economic activity, as has happened in the U.S. in recent years, it becomes more important to take changes in the terms of trade into account. Had we done so in the first quarter of 1986, real GNP would have been $42 billion higher (in 1982 dollars) than the Department of Commerce reported, and the growth in real GNP from the last quarter of 1985 would have been at an annual rate of 4.3 percent instead of 3.8 percent. In the second quarter the difference was much greater. Real GNP would be $61 billion higher, and the growth rate 2.7 percent instead of 0.6 percent. The economic slowdown almost disappears when the terms-of-trade effect is taken into account.

A simple way to do this has been used in recent years by the Center for International Business Cycle Research (CIBCR). The net-export component of GNP is deflated by an index of the general level of prices paid in the United States. The Department of Commerce produces such an index, called the price deflator for gross domestic purchases. It includes the prices of everything in GNP except the net-export component. This omission is important since it is the valuation of the net-export component that is at issue here.

By dividing the net-export balance in current dollars by the gross-domestic-purchases deflator, the balance is expressed in 1982 dollars exactly comparable to those in which the rest of GNP is evaluated. At the same time, any change since 1982 in the relation of export to import prices is allowed to influence the result. Hence a change in the terms of trade is taken into account by this method.

The substantial difference this makes in the net export balance in constant dollars is shown by the following figures, all expressed in billions at annual rates:

	Net exports in current dollars (1)	*Net exports in 1982 dollars*		*Terms-of-trade effect: in 1982 dollars (4)*
		Commerce method (2)	*CIBCR method (3)*	
Q4, 1985	-105.3	-132.0	-94.3	37.7
Q1, 1986	- 93.7	-125.9	-83.5	42.2
Q2, 1986	-100.2	-150.5	-89.2	61.3

The Commerce Department calculation transforms the current-dollar U.S. trade deficit into a larger and still growing real trade deficit, which depresses real GNP. By contrast, the alternative calculation produces a smaller real trade deficit that, like the current-dollar deficit, is declining in 1986. That is why the alternative method of calculating the real trade deficit makes the growth rate in real GNP stronger in the first half of 1986, as noted above.

Still another implication is that the rate of inflation has dropped substantially more than is indicated by the Commerce Department's GNP figures. Between the first and second quarters the GNP inflation rate, according to Commerce's figures, went up from 2.4 percent to 0.3 percent. By the CIBCR method, it dropped from 1.8 percent to 0.2 percent. That is, inflation virtually stopped in the second quarter. This was the result of the improvement in our terms of trade through the decline in imported oil prices. By excluding this effect, the Commerce Department's measure of inflation in GNP omits one of the most important factors that has brought down the inflation rate.

As we look ahead, however, the sharp decline in the dollar since early 1985 is moving the terms of trade against us. Prices of imports are bound to rise relative to prices of our exports. This will do two things: First, it will slow the accumulation of claims against foreigners, which reduces capital formation and slows the growth of the economy. Second, it will accelerate inflation. Neither of these unfavorable developments will show up in the official GNP numbers, because the Commerce Department's method used to measure the real trade balance rubs them out. But they will take place nonetheless.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

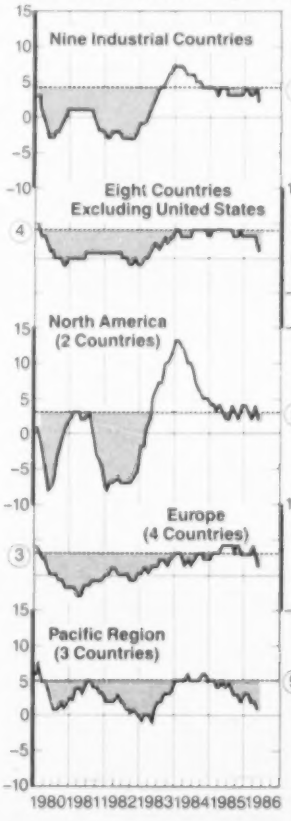
INDEXES, NINE COUNTRIES, 1985-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	85	110	116	107	116	104	119	111	125	96	112	101	118	116	119	108	122	126	145
May	85	110	116	108	117	104	120	112	126	96	112	102	120	117	119	110	123	126	146
June	85	110	116	108	117	104	120	112	127	96	112	102	120	116	119	110	125	125	147
July	85	110	117	109	118	106	121	113	127	96	110	102	120	117	119	111	128	125	148
Aug.	85	111	117	109	119	106	122	113	128	96	111	101	121	117	118	112	129	124	148
Sept.	85	111	119	109	119	106	122	113	128	97	111	101	122	117	118	113	128	124	151
Oct.	85	111	118	110	119	106	123	114	127	97	111	101	122	117	119	113	127	126	152
Nov.	85	111	117	110	120	106	124	115	128	97	111	102	122	117	119	115	125	126	153
Dec.	85	112	119	111	120	106	123	114	128	97	112	101	124	117	118	115	124	127	156
Jan.	86	112	119	111	120	107	122	115	128	97	112	102	125	116	118	116	124	130	156
Feb.	86	112	121	112	121	107	122	115	128	98	111	102	125	116	116	115	123	131	158
Mar.	86	112	120	111	120	107	122	116	131	98	112	102	127	116	115	115	120	133	161
Apr.	86	113	121	112	121	109	123	117	132	98	111	102	131	118	115	116	121	131	162
May	86	112	121	111	121	108	123	117	133	98	112		131	118	115	117	121	132	164
June	86	112	122			110												131	166
		Growth Rates, Percent																	
Apr.	85	4	0	4	5	5	5	3	5	3	3	2	7	4	10	4	12	3	5
May	85	3	0	5	5	5	5	3	6	4	3	3	10	5	10	7	13	2	5
June	85	2	0	4	5	5	6	3	6	3	2	3	8	4	8	6	14	1	5
July	85	2	2	4	6	6	6	4	6	3	0	3	8	4	6	8	16	-1	6
Aug.	85	3	3	4	7	5	6	4	6	3	0	1	8	4	3	7	16	-2	5
Sept.	85	3	5	4	5	5	7	4	5	2	0	1	8	3	3	8	11	-1	8
Oct.	85	2	3	4	5	5	7	5	4	2	0	1	7	2	4	8	8	2	10
Nov.	85	3	2	5	5	5	7	6	4	3	0	2	6	2	2	9	4	1	10
Dec.	85	4	4	5	5	3	4	4	3	2	1	1	7	2	0	8	1	2	12
Jan.	86	4	5	4	5	5	2	5	2	2	2	1	8	2	0	9	1	6	10
Feb.	86	3	6	5	5	4	1	4	2	2	-1	1	8	2	-4	6	-2	8	12
Mar.	86	2	4	3	3	3	1	5	6	2	1	2	9	2	-5	5	-7	10	13
Apr.	86	4	5	4	4	6	2	6	7	2	0	1	14	1	-4	6	-6	7	13
May	86	2	4	2	3	3	2	5	8	1	0		12	1	-4	5	-6	7	13
June	86	1	4		5													5	14
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	85	109	118	108	119	109	116	103	119	115	120
May	85	109	118	108	120	110	116	104	120	116	120
June	85	109	118	108	120	110	116	104	120	116	121
July	85	109	119	109	120	110	117	105	120	116	121
Aug.	85	110	119	109	120	111	117	105	120	117	120
Sept.	85	110	120	109	121	111	119	105	121	117	120
Oct.	85	120	119	110	121	111	118	105	121	117	121
Nov.	85	110	120	110	121	111	117	106	121	117	121
Dec.	85	111	120	110	121	112	119	105	122	117	120
Jan.	86	111	121	110	121	112	120	106	122	118	120
Feb.	86	111	121	111	120	112	121	106	121	118	118
Mar.	86	111	120	111	120	112	120	107	123	118	117
Apr.	86	112	121	111	122	113	121	108	124	118	117
May	86	111	121	111	122	112	121	106	124	118	117
		Growth Rates, Percent									
Apr.	85	4	4	4	7	4	0	3	5	4	10
May	85	4	4	4	7	3	0	4	6	5	10
June	85	3	4	4	7	2	1	4	6	4	8
July	85	3	4	4	6	2	3	4	5	4	7
Aug.	85	4	4	4	5	4	3	4	5	4	5
Sept.	85	3	5	3	5	3	5	3	5	3	4
Oct.	85	3	4	3	5	2	3	4	4	3	5
Nov.	85	3	3	4	4	3	2	4	4	3	3
Dec.	85	3	3	3	3	4	4	3	4	2	1
Jan.	86	4	3	3	2	4	5	3	3	3	1
Feb.	86	3	3	3	0	3	6	3	2	3	-3
Mar.	86	3	2	3	1	2	4	3	4	2	-5
Apr.	86	4	3	3	2	4	5	4	5	2	-4
May	86	2	3	1	2	2	4	1	5	1	-4
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

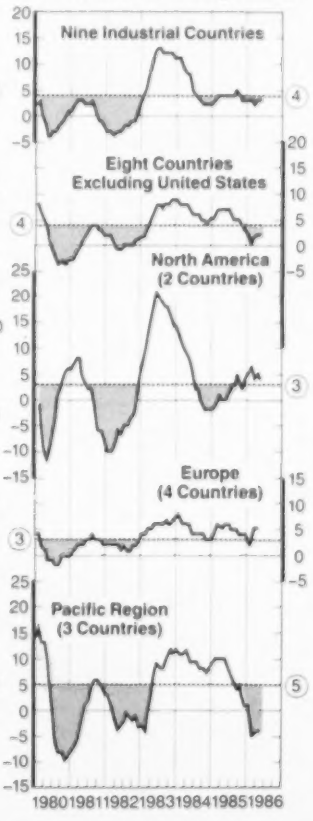
Where We Are

Growth Rates, %, Performing Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates, %, Leading Indexes


Nine Industrial Countries
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North America (2 Countries)
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1980 1981 1982 1983 1984 1985 1986

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

10/15/86 R4105-6A

A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

SEPTEMBER, 1986

SUMMARY

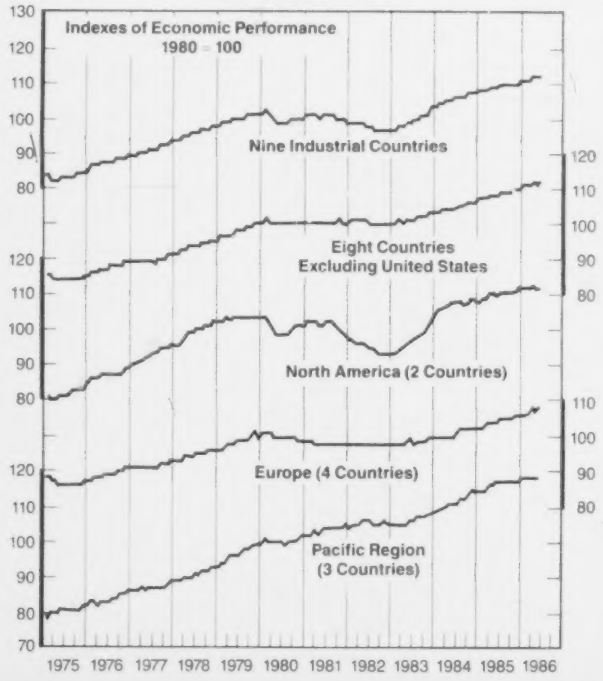
Moderate expansion continues to prevail among the world's major industrial countries, as measured by the comprehensive indexes of economic performance, which include production, employment, income and trade. The nine-country composite is plodding forward at a 2 percent rate. Among individual countries, however, the rates of advance show substantial differences. The fastest growth is in Taiwan, R.O.C. (13%), followed by West Germany (7%) and Australia (6%). The other six nations are recording slow to moderate growth (1% to 3%).

According to the leading indexes, prospects for continuing expansion are favorable in six of the nine countries—and especially so in Taiwan and Italy. The three where the leading indexes are weak are the United Kingdom, Japan and Australia. The latest month's figures for Japan and Australia showed improvement, but not enough to decisively brighten the outlook. In West Germany the outlook has turned more favorable than earlier this year.

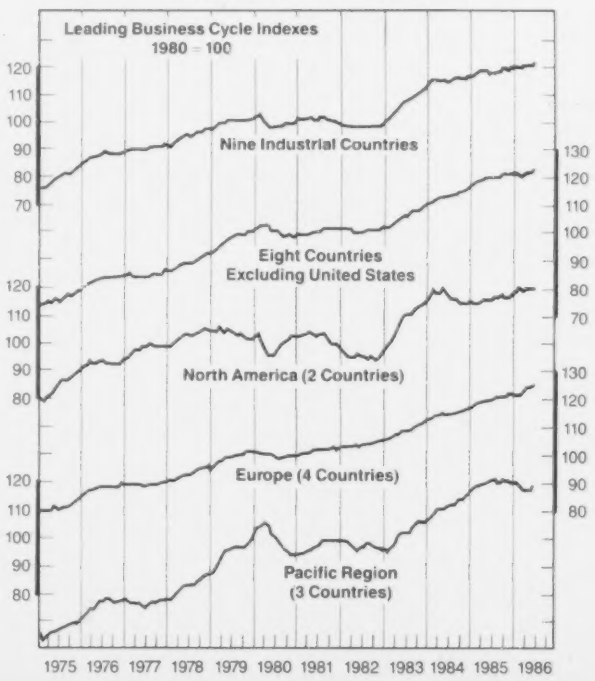
	Ten-year Growth Rate 1969-79	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	3	3	2	3	2	3	Expansion continuing	June
8 countries ex. U.S.	4	3	3	3	3	1	3	Expansion continuing	June
North America (2)	3	4	2	1	4	3	2	Expansion continuing	June
Europe (4)	3	3	3	4	4	4	6	Expansion continuing	June
Pacific Region (3)	5	2	2	2	1	−5	−1	Expansion continuing, leaders weak	June
United States	3	4	4	2	4	4	3	Expansion continuing	July
Canada	4	5	3	2	5	4	2	Expansion continuing	June
West Germany	3	3	4	7	4	3	6	Expansion continuing	June
France	4	4	5	3	2	7	8	Expansion continuing, leaders strong	June/July
United Kingdom	2	2	2	1	1	1	0	Expansion continuing, leaders weak	June
Italy	3	1	1	1	6	9	11	Expansion stalling, leaders strong	Apr./May
Japan	5	2	2	1	0	−5	−1	Expansion stalling	June
Australia	4	8	5	6	0	−7	−2	Expansion continuing, leaders weak	June
Taiwan, R.O.C.	10	7	7	11	10	13	13	Expansion continuing, leaders strong	July

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are


Indexes of Economic Performance
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

Where We're Headed


Leading Business Cycle Indexes
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

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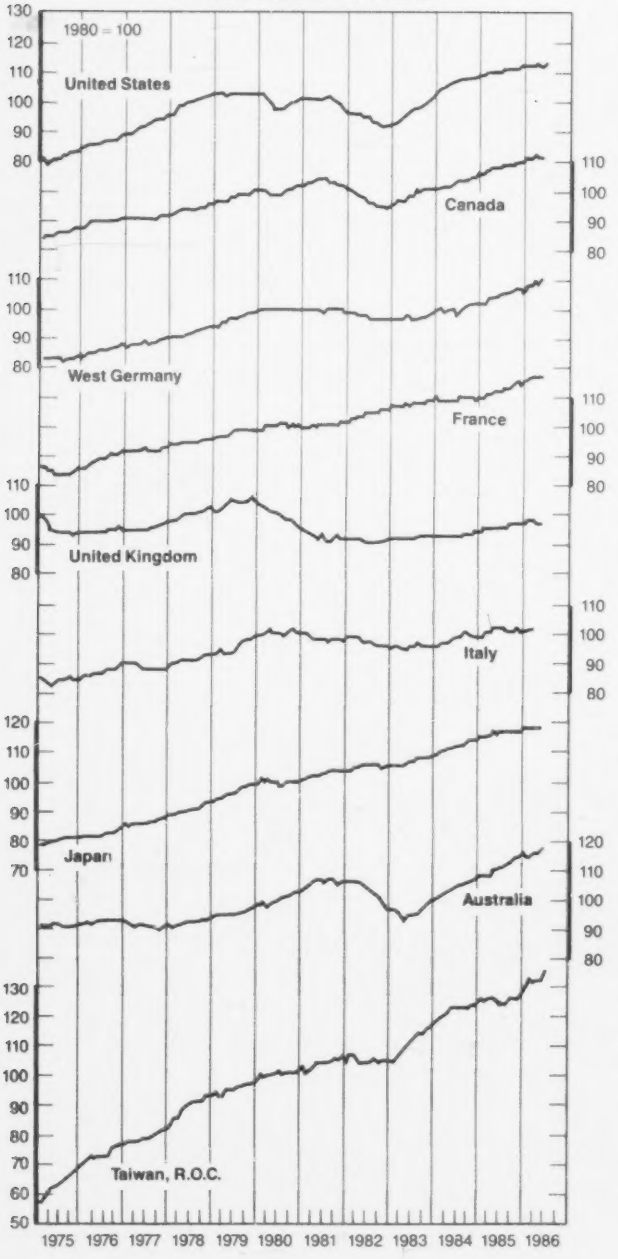
70th Anniversary

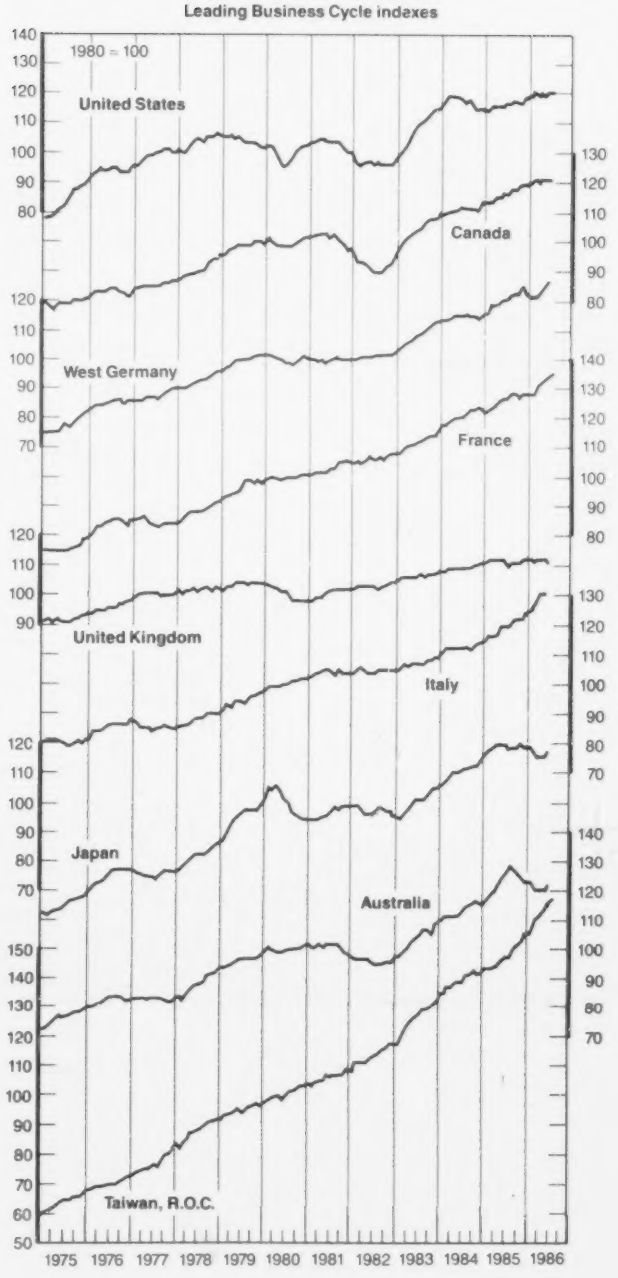
Where We Are

Indexes of Economic Performance



Where We're Headed

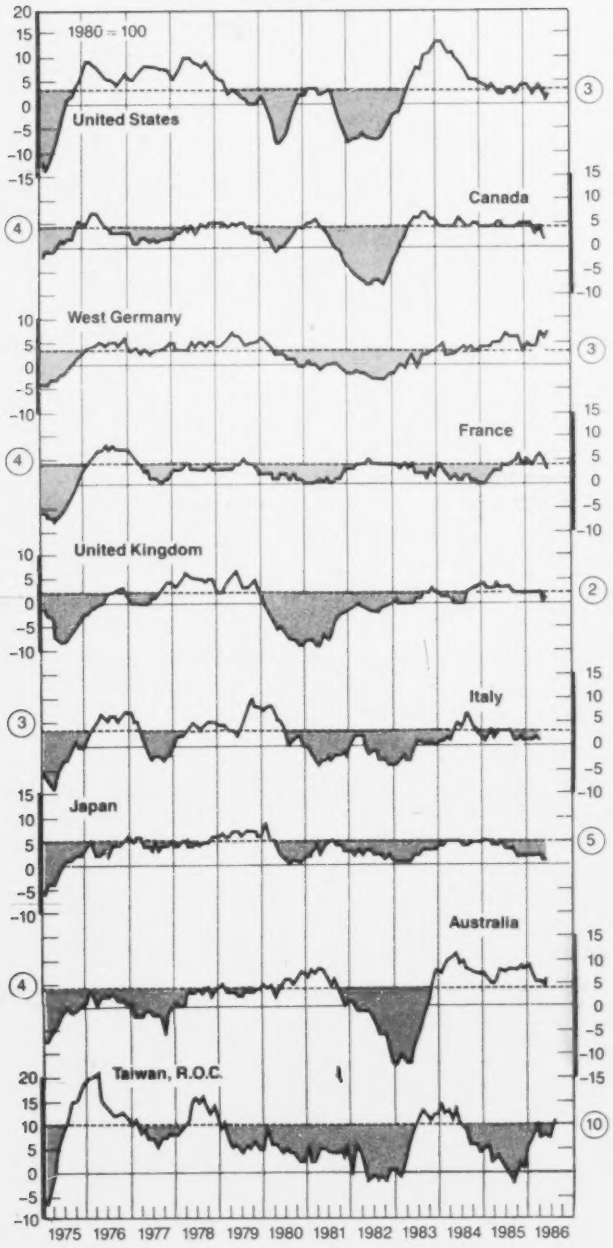
Leading Business Cycle indexes



Sources: CIBCR and The Conference Board

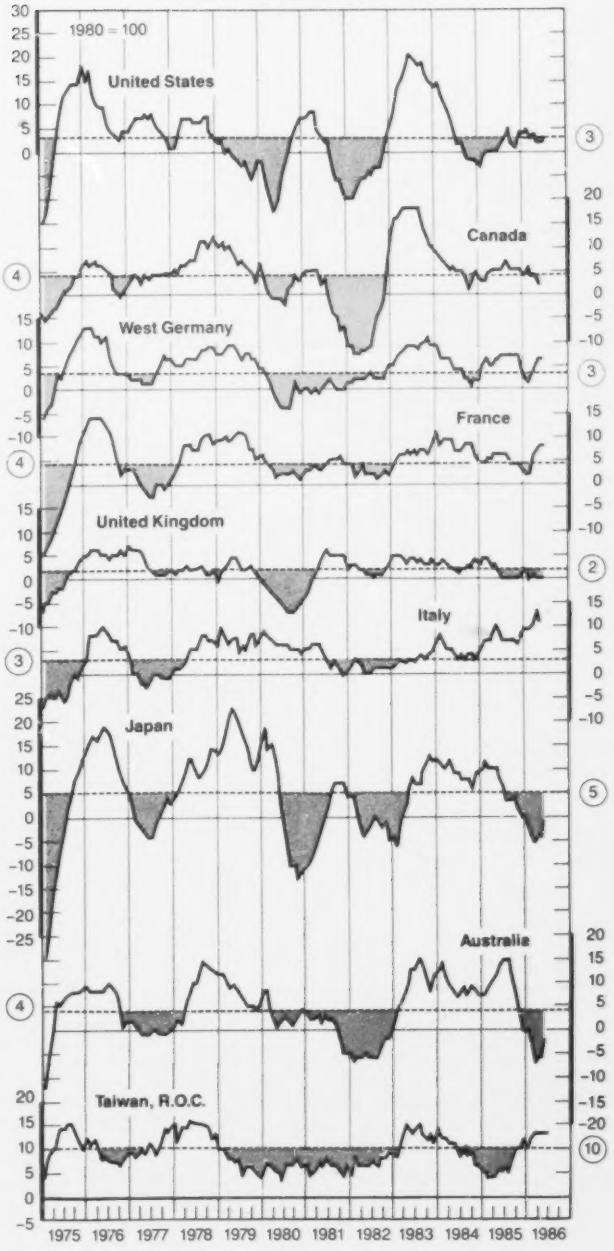
Where We Are

Growth Rates, %, Performance Indexes



Where We're Headed

Growth Rates, %, Leading Indexes



Note: Horizontal dashed lines are average rates for 1969-79 in the index and in Real GNP

Sources: CIBCR and The Conference Board

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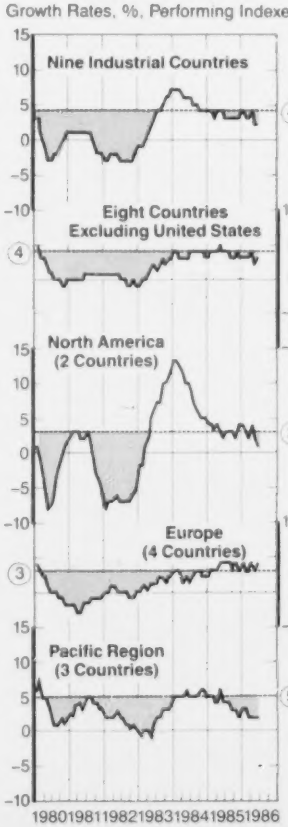
INDEXES, NINE COUNTRIES, 1985-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	85	110	116	107	116	104	119	111	125	96	112	101	118	116	119	108	121	126	145
May	85	110	116	108	116	104	120	112	126	96	112	102	120	117	119	111	123	126	146
June	85	110	116	108	117	105	121	112	127	96	112	102	120	116	119	111	125	125	147
July	85	110	117	108	117	106	121	113	127	96	110	102	120	117	119	112	127	125	148
Aug.	85	111	117	109	118	106	122	113	128	96	111	101	120	17	118	112	128	124	148
Sept.	85	111	118	109	118	106	123	113	128	97	111	101	121	117	118	113	126	124	151
Oct.	85	111	117	109	119	107	123	114	127	97	111	101	122	117	119	114	125	126	15[illegible]
Nov.	85	111	117	110	119	107	124	115	128	97	111	102	122	117	119	115	124	126	15
Dec.	85	112	118	110	119	106	123	114	128	97	112	101	124	117	118	115	123	127	15[illegible]
Jan.	86	112	119	111	120	108	122	115	128	97	112	101	125	118	118	116	123	130	156
Feb.	86	112	120	111	121	108	122	115	128	98	111	102	126	118	116	115	122	132	158
Mar.	86	112	119	111	120	108	123	116	131	98	112	102	128	118	115	115	120	133	161
Apr.	86	113	120	112	121	110	125	117	132	98	112	102	130	118	115	116	120	132	162
May	86	112	119	111	121	109	126	117	133	97	112		130	118	115	116	120	133	164
June	86	112	120	111	121	111	127	117	134	97	111			118	117	118	122	133	165
July	86	113	120						135									136	167
		Growth Rates, Percent																	
Apr.	85	4	0	4	5	5	5	3	5	3	3	2	7	4	10	5	12	3	5
May	85	3	0	5	5	5	5	3	6	4	3	3	10	5	10	8	13	2	5
June	85	2	0	4	5	5	6	3	6	3	2	3	8	4	8	7	14	1	5
July	85	2	2	4	5	7	7	4	6	3	0	3	7	4	6	8	15	-1	6
Aug.	85	3	3	4	7	6	7	4	6	3	0	1	7	4	3	8	15	-2	5
Sept.	85	3	5	4	5	6	7	4	5	2	0	1	7	3	3	8	11	-1	6
Oct.	85	2	2	4	5	6	7	5	4	2	0	1	7	2	4	8	7	2	10
Nov.	85	3	1	5	5	5	7	6	4	2	0	2	6	2	2	9	3	1	10
Dec.	85	4	4	5	5	3	4	4	3	2	1	1	8	2	0	8	0	2	12
Jan.	86	4	4	5	4	5	3	5	2	2	2	1	9	2	0	9	0	7	10
Feb.	86	3	5	5	6	4	1	4	2	2	-1	1	9	2	-4	6	-2	8	12
Mar.	86	2	3	3	4	4	3	5	6	2	1	2	10	2	-5	5	-7	10	13
Apr.	86	4	4	4	4	7	5	6	7	2	0	1	13	2	-4	5	-6	7	13
May	86	2	2	3	3	5	6	5	8	0	0		11	1	-4	4	-6	8	13
June	86	1	2	2	2	7	6	3	8	1	0			1	-1	6	-2	7	13
July	86	2	3						8									11	13
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead	Perf.	Lead.
Apr.	85	109	118	108	119	110	116	103	119	115	120
May	85	109	118	108	120	110	116	104	120	116	120
June	85	109	118	108	120	109	116	104	120	116	120
July	85	110	119	109	120	110	117	105	120	117	121
Aug.	85	110	119	109	120	110	117	105	121	117	120
Sept.	85	110	120	109	121	110	118	105	121	117	120
Oct.	85	110	120	110	121	110	117	105	121	117	121
Nov.	85	110	119	110	121	111	117	106	122	117	120
Dec.	85	111	120	110	121	112	118	106	122	117	120
Jan.	86	111	120	110	121	112	119	106	122	118	120
Feb.	86	111	120	111	120	112	120	106	122	118	118
Mar.	86	111	120	111	121	112	119	107	123	118	117
Apr.	86	112	121	112	122	113	120	108	125	118	117
May	86	112	121	111	122	112	120	107	125	118	117
June	86	112	122	112	123	112	120	108	126	118	119
		Growth Rates, Percent									
Apr.	85	4	4	4	7	4	0	3	5	4	10
May	85	4	4	5	7	3	1	4	6	6	10
June	85	3	4	4	7	2	1	4	6	4	8
July	85	4	4	4	6	3	3	4	5	4	7
Aug.	85	4	4	4	5	3	3	4	5	4	5
Sept.	85	3	5	3	5	3	5	4	5	3	4
Oct.	85	3	4	3	5	2	3	4	5	3	5
Nov.	85	3	3	4	4	3	2	4	4	3	3
Dec.	85	3	3	3	3	4	4	3	4	2	1
Jan.	86	4	3	3	2	4	4	4	3	3	1
Feb.	86	3	2	3	1	3	5	3	2	3	-3
Mar.	86	3	2	3	1	2	3	3	4	2	-5
Apr.	86	4	3	4	2	4	4	4	6	2	-4
May	86	2	2	2	3	2	3	3	6	2	-4
June	86	2	3	3	3	1	2	4	6	2	-1
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

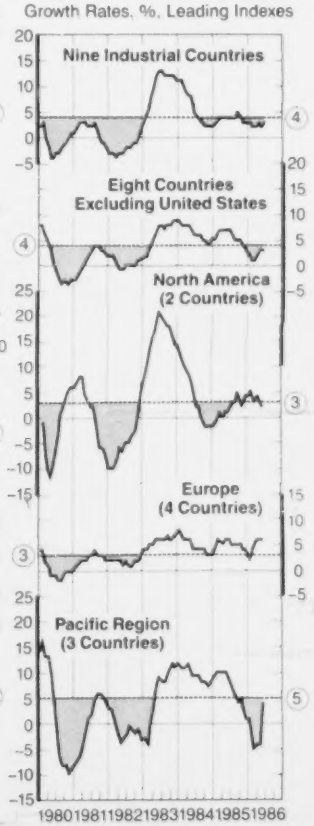
Where We Are

Growth Rates, %, Performing Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates, %, Leading Indexes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1980 1981 1982 1983 1984 1985 1986

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP
Sources: CIBCR and The Conference Board